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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

JAN 31 1953

THE AGRICULTURAL OUTLOOK

Summary of a Talk by Frederick V. Waugh,
Assistant Chief, Bureau of Agricultural Economics,
at the 30th Annual Agricultural Outlook Conference,
Washington, D. C., October 20, 1952

Most of my talk will be in the form of animated charts to be shown in a moving picture. After showing the movie, I shall give some of the highlights of the commodity outlook for 1953.

Briefly, the movie makes the following points:

Our farms are geared to high production, with farm output in 1952 setting a new record which is 43 percent over the prewar (1935-39) average. The high level of postwar production was possible only with a greatly increased use of fertilizer, farm machinery, and other farm supplies.

Gross farm income has increased since the war, although there was a dip in 1949 and 1950. But farm costs have risen more. As a result, net farm income has decreased in recent years. This year, for example, net farm income is about 16 percent less than the peak reached in 1947. The buying power of net farm income has shrunk more than these figures will indicate because farm living costs have risen.

The prices of farm products rose rather rapidly after the end of the OPA in the middle of 1946. The peak was reached in January 1948. Then farm prices fell in 1948 and 1949 and recovered a little in early 1950. Farm prices rose rapidly in the latter half of 1950, starting up immediately after the Korean outbreak in June. But the rise did not last very long. Farm prices have been fairly stable through 1951 and most of 1952, and have eased off somewhat in recent months. Prices paid by farmers have continued to rise through most of the postwar period, although there was a little drop during the minor recession in 1949. With fairly stable farm prices and rising costs, the parity ratio has been gradually reduced during the past two years. In September of this year farm prices averaged 1 percent above parity.

The increase in farm income and in farm prices since the war has been chiefly a reflection of high consumer income and a rising demand for food. As consumer incomes have increased, the proportion of income spent for food has not dropped, as some expected it to do. Per capita food consumption has risen, and has been maintained even when prices were high.

The high postwar exports of farm products was another important factor pushing up farm prices and incomes.

Now, looking into the future:

The farm outlook for 1953 is good. Consumer incomes will stay high and we expect that the domestic demand for food will continue strong. But, while next year's outlook is good, we expect the squeeze between farm

prices and farm costs to continue in 1953 and probably to become more severe.

Defense expenditures may be approaching their maximum, and will begin to level off some time during the next year or two. When this happens, we should be at a very high level of economic activity and employment. Inflationary pressures may subside, and there might be some slight and temporary weakening in business investment and perhaps in consumer spending; including expenditures for food.

Marketing charges are continuing to rise and some further increases are likely in 1953. Freight rates have increased several times since the end of the war, and there is new pressure to increase trucking rates. Wages in the food processing and distributing industries are still continuing to rise. A further rise in marketing charges would increase the squeeze both on farmers and on consumers.

Another adverse factor in the 1953 outlook is the drop in farm exports. Exports of farm commodities are already dropping, and further declines are expected during the coming year. This is due partly to an improved farm supply situation in other parts of the world, and partly to the continuing dollar shortage which makes it difficult for foreign countries to buy American products.

Thus, we expect a further squeeze between farm prices and farm costs next year. The farm prices of some commodities dropped in recent months, notably the prices of beef cattle. The prices of some other farm commodities may decline somewhat in 1953. However, we do not expect any sharp drops in farm prices nor in farm income. This is partly because we expect consumer demand to remain high. Also, we have a strong price support program which would prevent any serious drop in prices of some of the major farm commodities. The investments in farm price supports are now relatively low, having dropped from 4.2 billion dollars in the spring of 1950 to 1.7 billion dollars in the summer of 1952. There is a real need for larger reserves of some farm commodities, such as corn, in order to insure against the normal weather hazards, and in order to provide a safe cushion of supplies that might be needed in connection with the defense program.

For the long pull the prospect for agriculture is encouraging:

Our population is growing. If we have continuing prosperity, the demand for food will continue to grow, making a larger and larger domestic market for the farmer. Farmers will need to produce an increasing amount of food, with a relatively stable acreage of crop land, and with fewer farm workers. This will require higher production per acre, per animal, and per man. This will be possible only if farmers are able to buy still larger amounts of such nonfarm goods as fertilizer, tractors, and other materials needed in farm production.

To get adequate production in the future, farm operating costs and particularly the cash outlays of farmers will need to be increased still further.

We will need to put increasing emphasis upon efficiency, both in farm production and in farm marketing. But this will not be enough. To get adequate output in the long run farm prices must be favorable enough to meet rising cash costs of farm production and food marketing in order to maintain the present diet of the American public and probably to improve it somewhat further.

Highlights of Commodity Outlook for 1953

Livestock and meat. Cattle slaughter is now in its expanding phase. It will rise further in 1953. With the increased beef production, the total meat supply on a per person basis may about get back to the 1948-50 level. The big question, it seems to me, has to do with prices. In view of the preference and strong demand for beef in this country, how well will prices of cattle hold up now that substantially more cattle are being marketed? So far the price breaks have been fairly severe, especially for some classes. But price declines started from unusually high points. It is too soon to expect an end to declines, though for some classes price changes will be much more moderate next year.

There is little chance of much increase in hog production next year; and the same is probably true of sheep and lamb production.

Dairy products. Milk production declined somewhat from 1951 to 1952, mainly reflecting effects of drought; it may increase slightly in 1953. Consumer demand for milk products should continue strong, and prices of dairy products are likely to average a little higher next year than in 1952. On the other hand, dairymen's production costs also are likely to increase further. Per capita consumption of whole milk and most of the other major dairy products, except butter, probably will be about the same in 1953 as this year. Butter consumption continues to decline, and will be only about one-half the prewar level.

Poultry and eggs. The output of poultry products next year probably will be only slightly below the record levels of this year. Egg prices in the spring of 1953 should average higher than the low prices received in the spring of this year. Broiler output probably will increase again, but at a smaller rate than in most recent years.

Wheat. Near record supplies of wheat are in prospect. Carryover stocks on July 1 of next year may be about double the carryover on July 1, 1952. Domestic demand for wheat will probably continue at about current levels. With a large Canadian crop and increased supplies in some other countries, export demand this year will be substantially below the high level of last year. For the 1952-53 marketing year as a whole, the price of wheat will probably average near the effective loan level. Prospects are for another large crop in 1953, especially if growing conditions are near average. This would result in a further substantial rise in the carryover next year. The lack of rainfall in the Southwest winter wheat area and in the Pacific Northwest has not been favorable to fall seeding, and it may be that yields will be below average. However, if growing conditions are favorable in the next few years, the longer-term outlook is that supplies may exceed domestic and foreign consumption, resulting in an accumulation of surplus stocks.

Feed grains. In spite of the near record corn crop in the corn belt, a further small reduction in total feed grain supplies is in prospect for the 1952-53 season. Supplies of feed per animal unit are about equal to those in 1951-52, but are lower than in any of the 3 preceding feeding seasons. The total supply of all feed concentrates for 1952-53, including grains and byproduct feeds, is estimated to be 3 percent smaller than a year ago. Demand for feed continues strong. Prices of feeds generally are expected to average near the 1951-52 levels. Corn prices probably will decline seasonally this fall, but are expected to rise later in the marketing year.

Cotton. The U. S. supply of cotton in the 1952-53 crop year is expected to be smaller than in 1951-52, but disappearance will decline even more. Consequently, the carryover on August 1, 1953 will probably be about 500 thousand bales larger than a year earlier. Domestic cotton consumption probably will increase moderately but exports are expected to drop rather sharply, primarily because of an increase in free world stocks. Despite a larger beginning carryover this year, the supply will be down because of an 800 thousand bale decline in the crop.

Fats, oils, and oilseeds. Domestic disappearance of fats and oils in 1952-53 is expected to be as large as the high level of the preceding year. Exports during the past year were at or near a record level, and some moderate drop in exports is likely during the coming year. Prices of most fats and oils at the beginning of the 1952 crop year were substantially below the levels of a year ago. Little further change in prices is likely; at least until next spring when the 1953 crop prospects may exert some influence on the market.

Tobacco. A firm domestic demand is expected for most types of tobacco - especially for cigarette tobacco. Exports of unmanufactured tobacco this year will be 10 to 15 percent smaller than a year ago, due mainly to the limited dollar exchange available to foreign purchasers. Some increase in tobacco exports seems likely in 1953. The 1952-53 supplies of flue-cured and Burley (the major cigarette types) are larger than a year ago, due to an increase in carryover. The 1953 price supports probably will be a little lower than those of 1952.

Fruits and vegetables. Poor weather during the season reduced the output of many fruits and vegetables in 1952. Short supplies and high consumer demand resulted in relatively high prices for potatoes, truck crops, and some of the fruits. Demand for fruits and vegetables should continue high in 1953, but average weather would increase the supply of many of these commodities. With average weather, the 1953 deciduous and citrus fruit crops probably will be moderately larger than the small 1952 crop. The stimulus of high prices may lead to an expansion of the acreage planted to potatoes, sweetpotatoes, some of the market truck crops, and perhaps also to beans and peas.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Human Nutrition and Home Economics

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U. S. DEPARTMENT OF AGRICULTURE

CONSUMPTION AS A MEASURE OF HOW WELL FARM FAMILIES ARE LIVING

Address by Gertrude S. Weiss, Head, Family Economics Division,
Bureau of Human Nutrition and Home Economics, Agricultural
Research Administration, U. S. Department of Agriculture at the
30th Annual Agricultural Outlook Conference, Washington 25, D. C.,
Tuesday, October 21, 1952

The first problem to deal with in this discussion is that of defining what is to be measured--what is meant by "living" that can be expressed in measurable terms? All of the attempts to measure living that I intend to discuss equate "living" with "consumption." I want to be clear to start with that there could be other ways of measuring the quality of living, if we wish to approach such an elusive subject as the satisfactions or happiness that people get from life on the farm. For example, sociologists and psychologists have drawn conclusions from data on mental health, juvenile delinquency, and divorce. You may wish to discuss these later, but I intend to limit my discussion to the measurement of goods and services consumed.

By setting up consumption as what we wish to measure, there is, of course, an implied assumption that to be well fed, well housed, and well clothed contributes a great deal towards the welfare of people. I believe we would all accept this principle, especially when we think in terms of comparisons over the past 15 or 20 years, or comparisons with living in other countries. Moreover, as our levels of living rise, we set new consumption goals which include the greater consumption of services like medical care and recreation.

By consumption we mean the using of goods and services provided by the economy. This is a broader concept than purchases, especially for farm families. It includes goods purchased for current use, the partial "using up" of inventories of durable and semi-durable goods like clothing, housing, and housefurnishings, use of food and fuel produced on the home farm, and the use of services provided by the community. This concept makes clear the broad scope of the subject. We need to know how much of a great variety of goods and services is consumed--food, clothing, automobiles, even moving pictures.

In addition to the problem of obtaining data on consumption is that of summarizing it in meaningful fashion. Quarts of milk consumed are easily added up. We can even add milk and cheese together on a milk-equivalent basis. The difficulty lies in trying to summarize total food consumed, or consumption of a greater variety of goods in such a way that we can tell whether one family or one group of families has a higher level of living than another.

We do not yet have a good way of adding up the consumption of all items--the dollars spent for things purchased, the value of the food produced at home, the depreciation on the television set. Our best approach so far has been to add the value of home-produced goods to the

total sum spent for goods and services purchased. For urban families, total spending alone serves better than for rural families since there are fewer home-produced goods in cities. For example, the fact that urban families spent an average of \$4,200 for goods and services in 1950 tells a great deal very simply about their level of living. Dividing this sum up among food, clothing, housing, and other goods gives an even better description.

At the present time, we are less well fixed to give an over-all figure on the consumption of farm families. The last national consumption study of farm families was made in 1942. While these figures still provide fair estimates for some uses, consumption has changed enough in the decade that it would be most unwise to compare the data with 1950 findings as to expenditures by urban families. A study which we have frequently referred to in this respect is that of the Illinois farm families in 1946. These families reported a total value of consumption for that year of \$2,800, or \$3,500 in 1950 dollars. We could not, of course, use this as an estimate for all farm families.

Considering the broad scope and attendant problems of studies of total family consumption, a piece-meal approach has many merits. When studies are confined to one group of goods, such as food or clothing, more detail can be obtained within the time limits of a single interview. It is only in detailed studies of this type that we can hope to explore the substitutability of one type of food for another or of one article of clothing for another in order to assess the quality of living. It is also more possible to get full information about the goods that are owned, the inventories of clothing, the stocks of housefurnishings. And for consumption goods that are purchased infrequently, a knowledge of inventories gives a better picture of how well families are living than does a knowledge of rate of purchase. A next step would be to determine quality, age, and condition of the items. In few studies have explorations of this type been made.

The more we learn about the relationships that exist among the various goods and services the more we are able to use indicators for assessing the level of living among larger groups of the population. A good indicator is one that is highly correlated with other items of consumption. And, of course, the more items that the indicator is correlated with the better a measure it is.

Electricity, for instance, has frequently been used as an indicator of farm family consumption. The installation of running water is often dependent upon electricity, and, of course, other improvements can follow running water. Many types of household equipment which ease the job of the homemaker and which make living on a farm more healthful and pleasant, are also related to electricity. Electric refrigerators are the prime example. Thus, the single item, electricity, represents a large complex of family living. However, when all farm families in a community have installed electricity, it no longer is a useful indicator of variations in levels of living. Therefore, we must be constantly on the alert for changes in the interrelationships of items of consumption in order to detect the most useful indicators.

Even after we have complete data on what families consume and a full understanding of the interrelationships we have not yet answered the question, "How well are families living?" The word "well" is the problem. Obviously a standard of reference is necessary. Is it "good," for example, that average U. S. consumption is more than 1 egg per person per day? Is it "good" that the farm women who reported in one of our studies owned 4 pairs of shoes?

Few measures of adequacy of consumption have yet been developed. We have made the greatest progress in the area of food consumption because relationships between nutrition and health are better known. We now have nutritional recommendations by which we can measure certain aspects of dietary adequacy.

For other items of consumption relatively little progress has been made in setting up standards of adequacy. We have frequently used comparisons with other groups: Comparisons with similar groups in the past and comparison among different contemporary groups. When comparisons are made with similar groups in the past, we have a measure of progress made so that we can say, for instance, that farm family living is better than it was 10 or 20 years ago. Comparisons made with different contemporary groups show relative achievement among various farm groups, between the rural farm and rural nonfarm population, and between farm and city population.

For purposes of demonstrating the types of measures that we use and the problems attendant on their use for answering the question, "How well are farm families living?" I have selected a number of charts to show you. These I have grouped into the three categories I have suggested:

- (1) Comparisons over time
- (2) Comparisons among contemporary groups
- (3) Comparisons with a standard based on findings of science

Comparisons over time

The most dramatic improvement in farm levels of living has been in electrification. Using electricity as an indicator, and the standard of reference, their former condition, we are amply justified in saying that farmers are much better off than formerly (chart 19, 1953). ^{1/} However, electricity is now so generally available on farms that we are now more concerned with some of the improvements that follow it; such as running water, or household equipment as indicators of the level of consumption.

Spending for family living is another indicator of consumption. This chart shows by how much this particular group of farm families increased their family spending over the 1937-40 level (chart 11, 1953). The obvious problem in such time comparisons of spending is that prices have increased also so that consumption is up less than is spending. One

^{1/} References are to Rural Family Living Charts, prepared for the 1953 and 1952 Outlook Conferences.

has the choice of deflating with a suitable index, or looking at the chart along with the price index. There are, of course, many problems in selecting, using, and interpreting a price index for deflating expenditure data.

Another problem in time comparisons is that of defining the group. On a common-sense basis everyone knows what is meant by the terms, "farmers," "white-collar workers," or "middle class." But to define these groups precisely enough for quantitative analysis of their levels of living, and to keep the groups reasonably comparable over time is one of the major problems. You will notice in the Rural Family Living Chart book this year, for example, adjustments to take into account changes in the definition of a farm from the 1940 to 1950 Census.

Comparisons of groups

A second standard of reference for measuring farm levels of living is a comparison with city families. This is often used and seems to us to have a strong logical advantage in that farmers are a relatively small group in the population and the general idea of the "American Standard of Living" now seems to relate to city living.

This chart shows a relatively simple comparison of farm and city families on the basis of electricity, running water, flush toilets, and kitchen sink (chart 17, 1952). If we take the three latter as indicators, and urban families as the standard of reference, the answer to our question, "How well are farm families living?" is obviously less optimistic than if we use a time comparison on electricity for farm families only. For example, only 42 percent of farm families had running water, while nearly all city dwellings were so equipped. Here is another comparison, using electric refrigerators, modern cook stoves, television sets, and radios. Only on radios is the farm score close to the urban (chart 20, 1952). We could, of course, disagree as to the importance of television sets as an indicator of the level of consumption. The first two items shown on the chart, refrigerators and gas or electric cooking stoves are more generally accepted as important, so the contrast between farm families and urban families indicates a great deal about their comparative levels of consumption.

Farm families score higher in terms of the amount of food that they consume. This chart shows a comparison for a rather limited area--two counties in Minnesota and Minneapolis and St. Paul (chart 15, 1952). Farm families consumed more food per person of meat, poultry and fish, eggs, grain products, and milk, as well as more potatoes. Only of fruits and vegetables was farm consumption less.

The problems of interpreting comparisons of farm and urban living are well known. First, there is the problem of putting a value on goods produced on the farm. Second, there is the problem of trying to compare two different kinds of living. The latter is illustrated by the point that fresh air and quiet are available to some city families only at considerable cost, but more often free to farm families, while the kinds of

amusement, education, and medical services easily available in cities are usually expensive for farmers.

Comparisons with a standard

Most satisfactory to the users of research would be an answer to the question based on an objective standard, making it possible to give a less qualified answer to our question. Such a standard is variously defined as an adequate level of living, a minimum level for health and decency, etc.

Setting up such standards has many problems. Chief among them is that human needs for so many goods and services are socially determined. This is especially true for clothing, housefurnishings, recreation, and education.

Most progress has been made in standard setting for food. This, as has been said, is because there is agreement that food must meet certain physiological needs if it is to be considered healthful. A diet must also have other attributes to be acceptable, variety, for example. But because nutrient content of one kind or another is more likely than variety to be short in diets in this country, a nutritional assessment of the quality of diets serves very well as a standard of reference in answering our question.

Since 1941, we have had the advantage of the generally agreed upon "Recommended Allowances of the National Research Council." These present recommendations as to human requirements for calories, protein, and certain vitamins and minerals; and while still incomplete, are useful. Our findings as to quality of diet over the years all follow these steps reporting by families as to the quantities and kinds of food consumed, calculation of the nutrient content of these food supplies, comparison of this content with the recommended allowances.

This chart summarizes findings from a study of three types of farming areas in the South (chart 17, 1953). This was a cooperative project among Experiment Stations in this region. As a scoring device we have chosen five nutrients for which allowances have been recommended, for which we have the data needed to estimate the quantity that a diet supplies, and that are important in the discrimination of the quality of the diet. Each bar shows the percentage of families in the group with diets supplying recommended amounts of the nutrient in question. While none of the three groups of farm families made high scores with respect to all five of the nutrients, one group did much better than the others. These are the families in a general type-of-farming area in mountain counties. They had both large and varied home-production programs.

These charts demonstrate the types of measures that we have and use for assessing farm family consumption. You can see that I have shown no chart that "sums up" all of family consumption. The spending chart covered many categories, but from it we can get no assessment of what the families had on hand. The charts showing inventories and housing facilities were restricted to single categories of consumption. Therefore, the fact that we cannot at present add up the whole of family consumption, balancing low medical care against reasonably good nutrition levels for instance, is probably the greatest single problem in being able truly to assess how well farm families are living. Nevertheless, information on the quality of diet, the

kind of housing, the kinds and amount of clothing worn, the amount of equipment owned, the medical care and recreational facilities available and used tells a great deal about how well farm families are living, indicating the areas in which greatest advances have been made and those in which more improvement is needed.

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FARM COSTS

Summary of address by O. V. Wells, Chief, Bureau of Agricultural Economics, at 30th Annual Agricultural Outlook Conference, Tuesday, October 21, 1952.

Perhaps I might as well start by looking briefly at what was said at last year's Outlook Conference. Specifically, we indicated:

"Cash receipts from farm marketings may show some increases next year, largely a reflection of somewhat heavier marketings. But production costs will also rise above the record level in 1951. The realized net income of farm operators in 1952 may be about the same as this year."

And, with respect to production costs and supplies of farm requisites, we said:

"In the year ahead [production costs] may average about 5 percent higher than in 1951. Supplies of products used in farm production are expected to be adequate to meet requirements for a large output of food and fiber in 1952."

I call attention to these statements, partly because we are always interested in how our outlook statements turn out--in this case, very well, I think--but also because the farm cost and income outlook for the coming year is chiefly for "more of the same."

That is, we think farm costs or expenditures for factory-produced commodities used in farm production, as well as for wages, taxes, and interest, will increase slightly as compared with 1952. With the prospect that cash receipts from sales of farm products will be no greater in 1953, this means the cost-price squeeze on producers will continue.

Meanwhile, supplies of labor and most production goods used by farmers will be sufficient to meet requirements, even though farmers' demands for labor and goods used in production will continue strong, with agricultural output for 1953, assuming average weather, expected to be about as large as the record production now being realized in 1952.

You have available the Farm Cost Situation and there are also on the panel various people prepared to answer your questions in detail, but it may be worth while to briefly summarize the situation with respect to farm labor and some of the leading items entering into the production side of the farm picture for 1953.

The trend continues toward a smaller supply of farm labor. However, with continued emphasis on using labor efficiently and increased efforts devoted to recruitment programs, we do not see why any general shortage of farm workers should develop. Some farmers will of course have trouble

replacing skilled and dependable regular workers and wage rates are likely to creep upward, perhaps averaging 5 percent more in 1953 than in 1952.

The impact of the defense program, coupled with work stoppages in the steel industry, has reduced the output of farm machinery in 1952 with the result that production this year is expected to be lower than in any year since 1948. But production during the last several years was high and as a result sufficient power and machinery are expected to be available to maintain high-level production in 1953.

Supplies of fertilizer will probably be larger for 1953 than was the case for 1952, with prices perhaps averaging slightly higher next spring in some areas, particularly the West and the Midwest. Supplies of nitrogen for the coming season are expected to average about 11 percent more, phosphates 10 percent more, and potash 17 percent more than was available for 1951-52.

Current stocks of pesticides appear to be relatively high, partly because the weather was better or infestation lighter this year than had been expected. Current indications are that supplies for 1953 will be adequate with prices not much different from those prevailing in 1952.

Prices of miscellaneous farm supplies have gone up year by year since 1939 and are now the highest of record with some further increases in prospect. Copper products are still far from plentiful, but the supply picture is brighter than it was some time ago. Adequate supplies of containers, cotton bags, bale ties, lumber, and most building materials are expected to be available at somewhere near present prices. But barbed wire and woven wire fencing are expected to continue scarce through much of 1953.

Feed costs in September were about 9 percent above a year earlier. The current large crop of high-quality corn may mean that corn prices will average slightly lower during the current feeding season than last year, but nevertheless corn prices are expected to be relatively firm and other feed grains and high-protein feeds will probably average somewhat higher this season than last. Hay prices are also expected to average some higher this winter and early spring. Altogether, feed supplies per animal unit for the year beginning this October are about the same as a year ago.

Seed supplies are generally adequate and prices should not be much different from a year ago.

Interest rates on mortgages placed on farm property in 1953 are not expected to change from the 1952 level, but farm-mortgage debt continues to increase as does short-term farm indebtedness--all of which adds up to the fact that farmers' interest load is increasing. An increase of about 5 percent in farm real estate tax levies and a slightly greater increase in farm personal property taxes also seems in prospect for 1953.

A major item which goes into the farm-cost side of the picture for a considerable number of farmers is prices paid for feeder calves and cattle. You are all aware that feeder prices are down as much as 8 to 12

cents a pound this fall as compared with a year ago, but that, in appraising the effect of this, we must also take into account the problem of prices at which fed cattle will sell this winter and next spring. In short, the reduction in the prices of feeder cattle will be largely, if not altogether, offset by a reduction in the price of the fed product.

In conclusion, there are three things which I want to say by way of general interpretation of this whole farm-cost situation and some charts to which I also want to call your attention.

(1) Farming is increasingly a commercialized, technological process. Farmers are increasing their efficiency in terms of output per acre, per animal and per man, but this increasing efficiency is achieved in considerable part by the substitution of an increasing amount of goods and services produced off the farm.

This increasing use of off-farm goods and services throws an increasing proportion of the farmers' costs into the cash category and, so far as I can determine, over the last several years the farmer's average cash cost of production per unit of farm product has tended to increase, entirely aside from the effect of price increases.

That is, total farm output this year is running about 1.3 times production in 1940, while the index of prices and cost rates paid by farmers for production purposes is almost 2.4 times the average for the corresponding items in 1940. Multiplying, 1.3 times 2.4, indicates farm expenditures for production purposes should be running about 3.1 times what they were in 1940, assuming the per unit use of nonfarm goods and services has remained constant. Actually, our estimates of about 23.4 billion dollars for 1952 are over 3.5 times the estimated expenditures of 6.6 billion dollars in 1940. This indicates that the increasing efficiencies about which we talk--increased yields per acre and per animal unit and increased output per man--have been achieved in part by the substitution of almost 15 percent more off-farm goods and services per unit of farm output.

(2) The farm-cost structure is relatively inflexible. In this connection, I call your attention to a work-chart which I made some days ago (fig. 1). This chart simply summarizes the average trend in the main groups of farm-cost items, including an average for all farm family living items, especially as between the various base periods which statisticians have generally used or recommended over the last 35 years--assuming statisticians try to select as nearly normal years as possible as reference bases for the main indexes.

You will note that, with no exceptions, the trend in all the chief items entering into the parity index (covering all prices and cost rates paid by farmers) was upward from 1910-14 into 1935-39; you will note that in every instance except one, interest rates, the trend was upward from 1935-39 to 1947-49, which is the latest base period recommended for general use by the Office of Statistical Standards, Bureau of the Budget; and you will finally note that the trend has been upward in the case of every group or subgroup from 1947-49 into the first half of 1952.

Of course the increases over the last two periods have been in large part the results of inflation occurring, first, during World War II and immediately thereafter and, second, following the outbreak in Korea in June 1950. We also know that there is on occasion some downward flexibility in certain of these cost rates, especially during periods such as 1919-1921 and 1929-1933. But nevertheless I do think that an analysis of the factors affecting the prices of most of the items which go into the farm-cost structure will lead to the conclusion that these prices have been relatively inflexible in the past and are likely to be more so in the future.

For those of you who may be interested, our Division of Economic Information has realigned the several divisions in this original work-chart to indicate the relative position that the various sections would have on a continuous chart (fig. 2)--all of which is simply another way of saying that the index of prices and cost rates paid by farmers today runs about 116 percent of 1947-49, 229 percent of 1935-39, or 284 percent of 1910-14. We have also charted the more recent, 1947-49 to date, movements in more detail (fig. 3).

(3) We must keep the farm-cost structure in mind in discussing the farmer's financial position. For this purpose your attention is called to the chart showing the financial assets of farmers expressed both in terms of current dollars and in terms of dollars deflated to a 1940 purchasing-power level (fig. 4).

The over-all value of all farm assets was estimated at about 169 billion dollars as of January 1, 1952, and will probably not show an increase of more than 2 percent for January 1, 1953. But let's look at this in terms of deflated dollars and in relation to the current level of farm production costs. Very briefly, the second half or deflated portion of this chart shows that farmers today as compared with 1940 have some more livestock on hand (other than horses and mules), have about doubled their financial assets (when we translate their bank deposits and holdings of bonds and stocks into constant purchasing power), and have more than doubled the volume of their equipment.

We can argue, of course, as to whether farm land is today inherently more productive than it was in 1940. Some of it probably is; much of it probably isn't. And certainly much of the increases in yields can be attributed to the increased use of lime and fertilizer, improved seed, better cultural methods, and more timely operations (which in turn depend upon the use of more machinery operated by skilled labor).

Much is sometimes made of the fact that farmers had almost 23 billion dollars in bank deposits, stocks and bonds, as of January 1, 1952, as compared with 5 billion dollars on January 1, 1940. In terms of paying debts, of course, these reserves can be used dollar for dollar, but I suspect the more important thing is the fact that farm debts reached their low point in 1946 and have been creeping up ever since. Meanwhile, in terms of paying production expenses, prices and cost rates paid by farmers (including family living items) today run about 2.3 times what

they did in 1940 so that the 23 billion dollars of current reserves, measured in terms of constant dollars, have a purchasing power equivalent to only 10 billion dollars--or twice that available in 1940.

Looked at another way, the 5 billion dollars which farmers had on hand on January 1, 1940, would have paid about 75 percent of the 6.6 billion dollars of production expenses for that year. The 23 billion dollars which they had on hand January 1, 1951, would not have quite covered the 23.4 billion dollars of production expenses for 1951. Or, in terms of actual dollars, farmers' financial reserves on January 1, 1952, were 4.6 times what they were in 1940; in terms of their ability to cover production expenses, however, the factor is only about one and one-third.

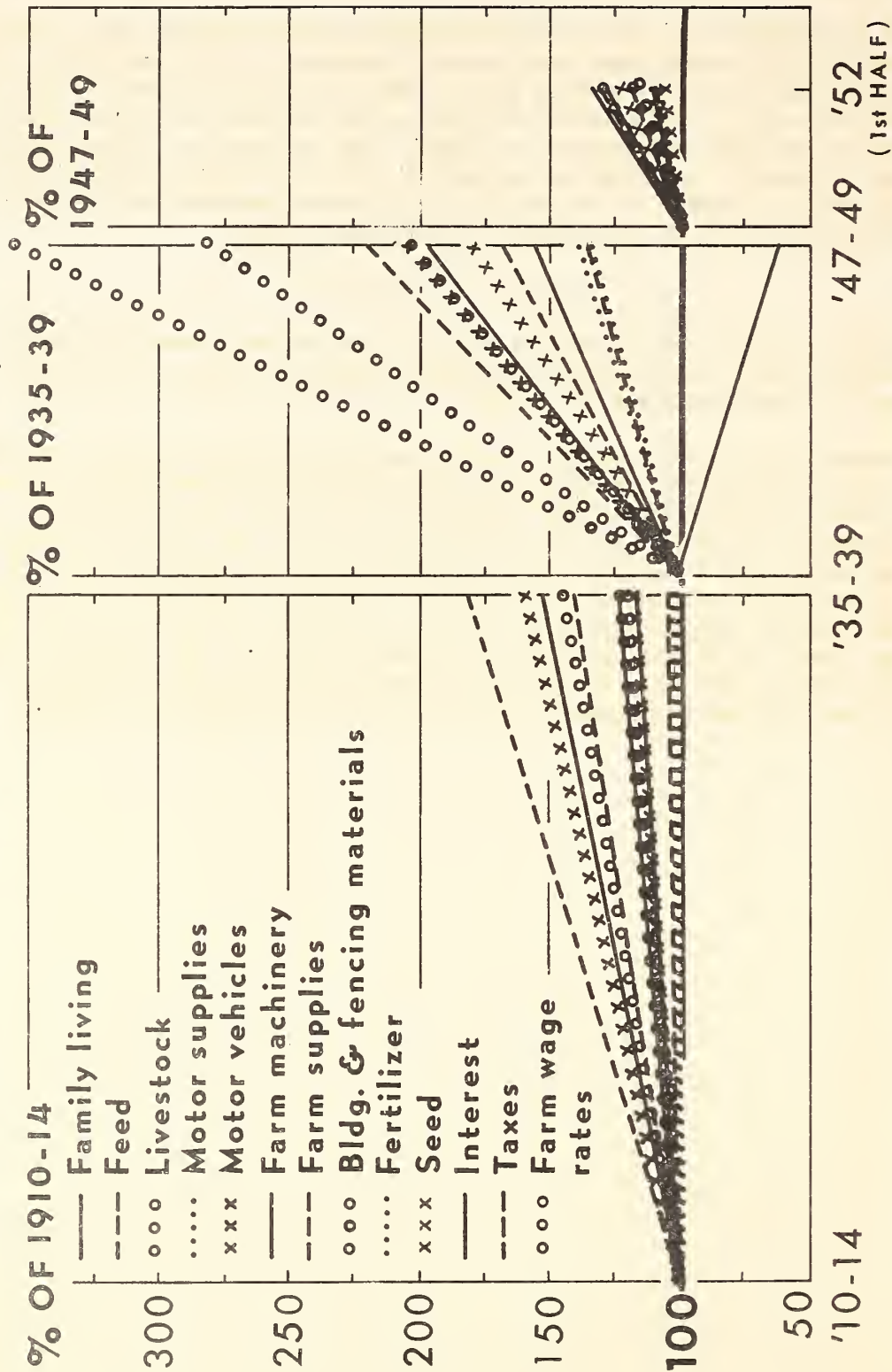
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Finally, I want to call your attention to one of our standard charts, the one showing gross farm income, production expenses, and net realized returns to farm operators (fig. 5).

This seems to me to summarize as graphically as any other means we have the trends I have been trying to discuss, as well as having the advantage of showing what farm operators have left in the way of income after production expenses--that is, income available to cover farm family living costs and savings. All I want to say about this "net realized" portion of the farm income flow is that we must never forget that the farm production process has two purposes--one to provide food and fiber for all our people and the other to provide a living for farm families. The trends in farm family living costs and the actual content of farm family standards of living are just as important as those in the production-cost field.

PRICES PAID BY FARMERS

Percentage of Successive Base Periods for Specified Dates



RISE IN PRICES PAID BY FARMERS*

1947-49=100

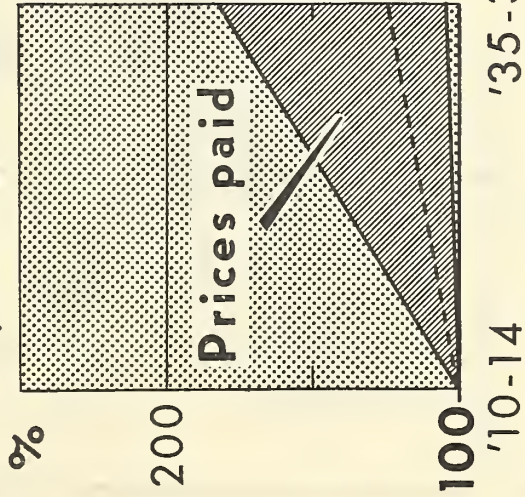
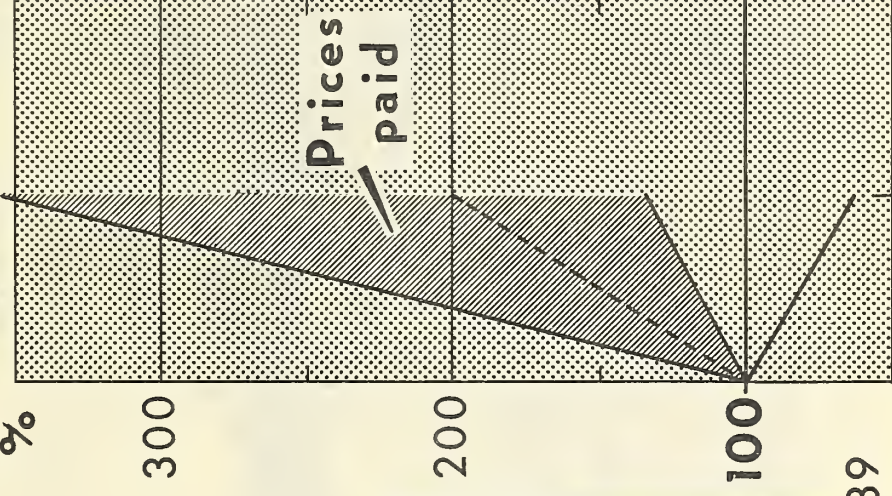
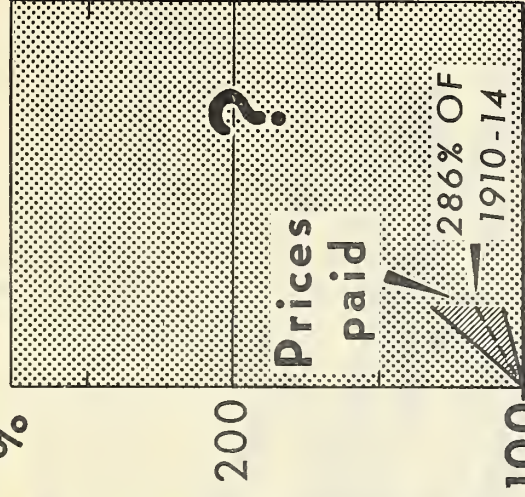
%

1935-39=100

%

1910-14=100

%



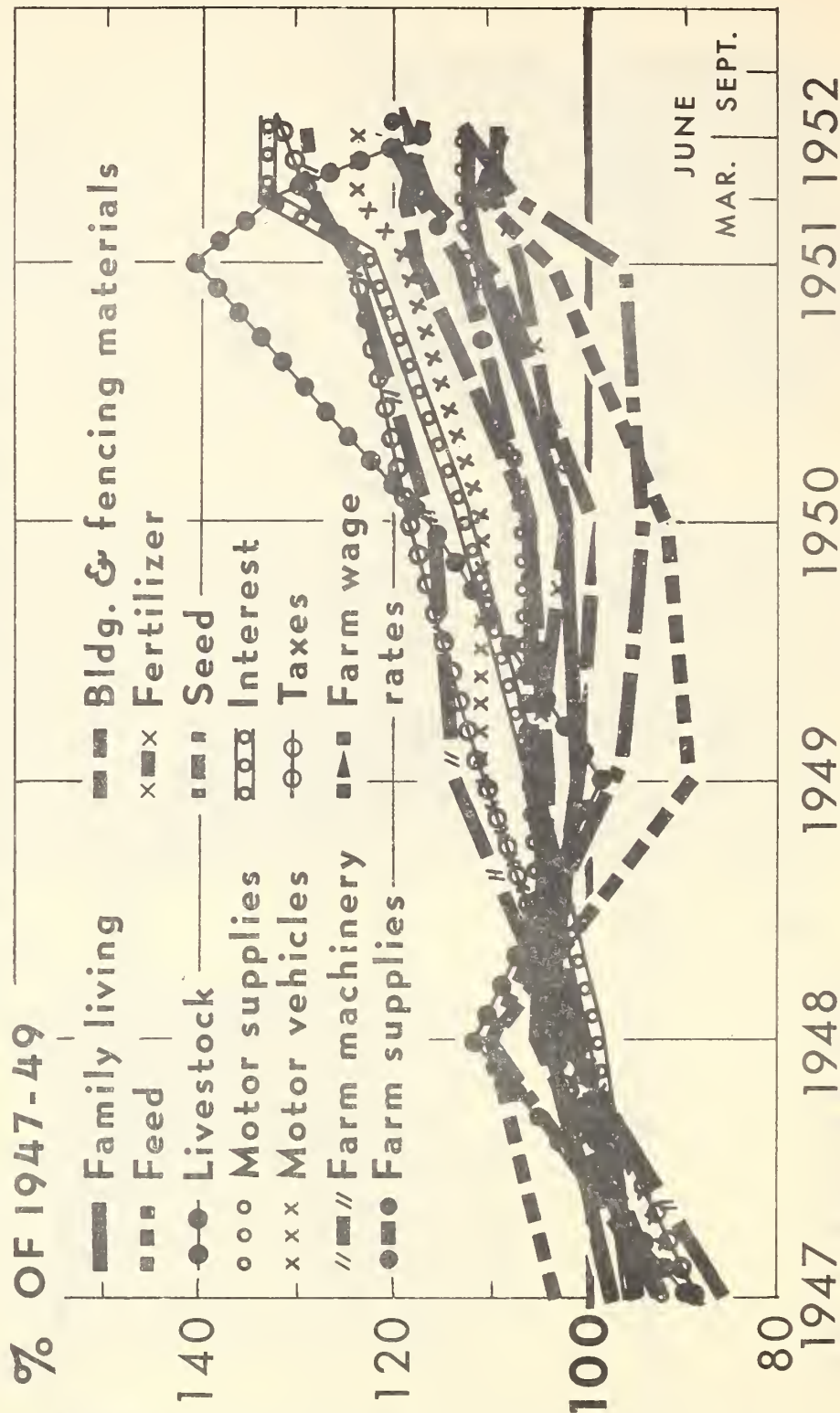
Sept.
1952

*INCLUDING INTEREST, TAXES,
AND WAGE RATES

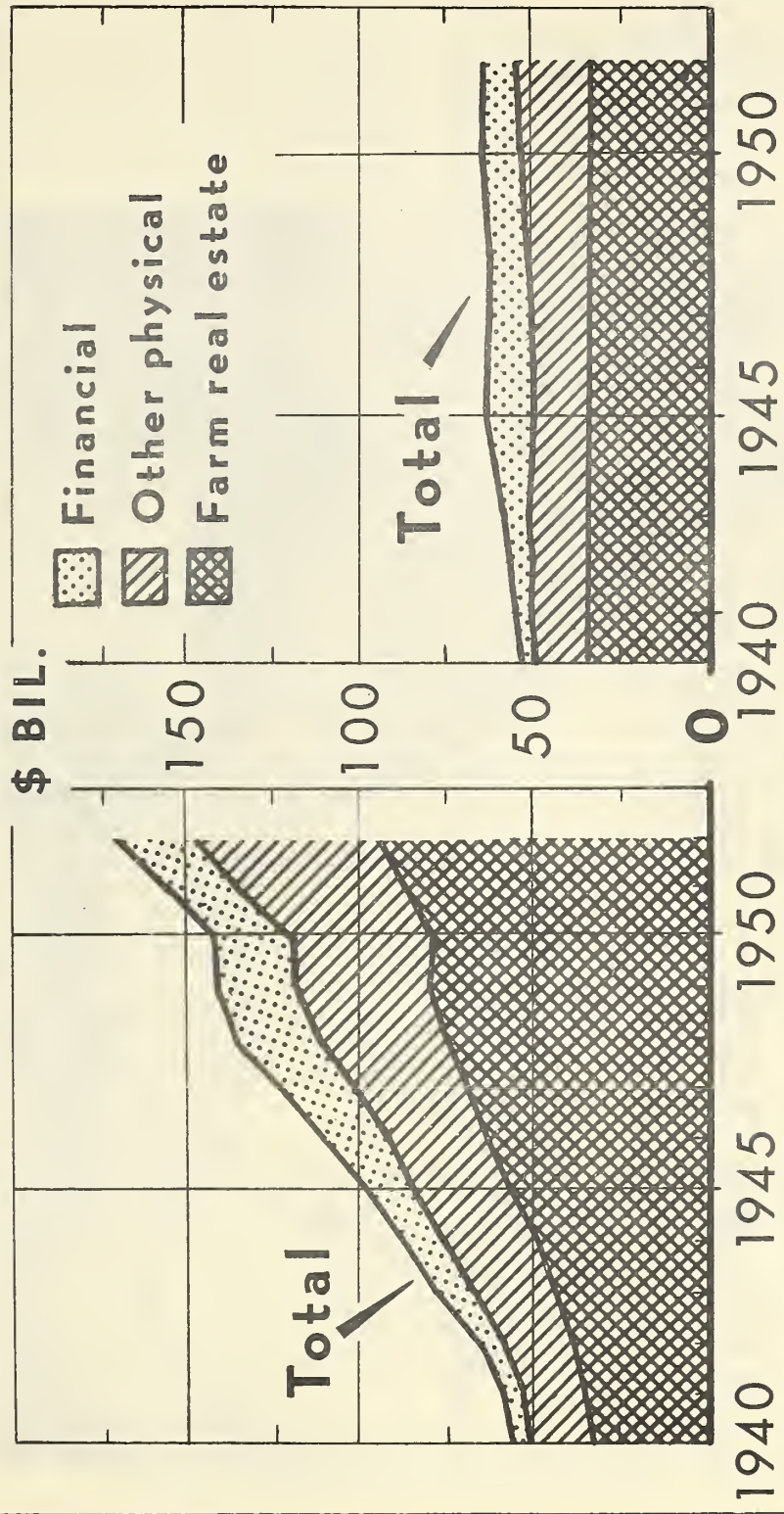
FIGURE 2

PRICES PAID BY FARMERS

(INCLUDING INTEREST, TAXES, AND WAGE RATES)



VALUE OF FARM ASSETS IN CURRENT DOLLARS IN 1940 DOLLARS



DATA ARE AS OF JANUARY 1 EACH YEAR

FIGURE 4

INCOME OF FARM OPERATORS

\$ BIL.

Gross*



PRODUCTION
EXPENSES

REALIZED

NET

INCOME

NONMONEY INCOME

1930

1935

1940

1945

1950

1955

*INCLUDING GOVERNMENT PAYMENTS, BEGINNING 1933

U. S. DEPARTMENT OF AGRICULTURE

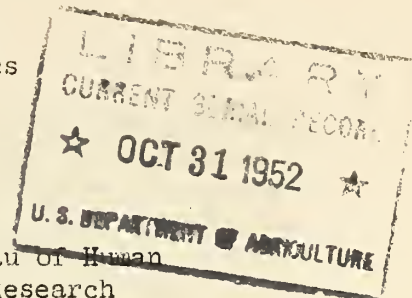
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Figure 5

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Human Nutrition and Home Economics

FARM FAMILY LIVING COSTS



Address by Hazel K. Stiebeling, Chief, Bureau of Human Nutrition and Home Economics, Agricultural Research Administration, U. S. Department of Agriculture at the 30th Annual Agricultural Outlook Conference, Washington 25, D. C., Tuesday, October 21, 1952

It is apparent from the discussion of economic conditions that we have had so far in this Conference and from what we know in addition about standards of living, that continued high farm family living costs are part of the Outlook picture.

We need to understand just what is meant by the term "costs," when used in this setting. Costs for family living as well as for farm production are affected by changes in the prices of goods and services that farm families buy. But costs for family living are also determined to a large extent by the standard of living--the generally accepted concept of what is necessary for living if families are going to be satisfied with farming as a way of life and if young people are to go into farming. During the past decade farm families have achieved higher levels of living, so that they are coming closer to realizing the standard set by the rest of the population, even though they have not yet achieved all of it. Meanwhile the Nation as a whole has made advances in living, so that it is likely that farm family standards will continue to rise. Thus, we have double pressures on farm family living--that of catching up to the levels of urban people and keeping up with changes as they occur in urban standards.

I should like, therefore, to consider these two aspects of the family living cost picture separately. First, the trend in consumer prices, and second, the developments in the farmer's standard of living.

Consumer prices

I have here two charts relating to price trends for goods and services used for family living. The first presents four of the six components of the BAE Index of Prices Paid by Farmers and the second, four of the six components of the Consumers' Price Index for Moderate-Income Families in Large Cities. The commodities and services grouped in these indexes are not precisely the same. But, in general, the movements of the two indexes have been very similar during the past 5 years.

The chart of Prices Paid by Farmers shows the steep rise that occurred in the several groups of consumer prices following the Korean outbreak in

1950 and into early 1951 (Chart 9).^{1/} It also shows that since then, consumer prices as a whole have risen only slightly, with considerable divergence among the individual commodities and services. For example, building materials this spring and summer were even a little below the high point reached the year before; housefurnishings were down slightly this summer. Prices of food and tobacco, on the other hand, though they levelled off in 1951, increased in the summer of 1952. The index of autos and auto supplies rose in 1952.

The Consumer Price Index measures price changes for city wage-earner families (Chart 10). Of special interest, for consideration today, is the continued steady rise in the miscellaneous category of goods and services which covers medical care, drugs, household operation, recreation, personal care, and transportation. This chart also shows that prices of apparel declined in 1952.

From our discussion at this conference, I conclude that we should not expect that the next year or so will bring markedly lower prices of the goods that farm families buy for living. As we have seen from the charts, if the situation of the past year continues, there will be some divergence in price trends among the different kinds of prices--food, building materials, apparel and miscellaneous items. The important point for farm families and farm programs, is that there does not seem to be much immediate prospect that prices for the goods and services that farmers buy for family living will be markedly lower in the period just ahead.

Farm family standards of living

Rising standards of living for farm families are the second factor in high living costs. We know that consumer prices have about doubled since the years just prior to World War II. But expenditures for consumer goods have increased much more, and are now three times their pre-war level. Throughout the post-war period farmers have spent increasing sums for consumer goods--partly in response to higher prices, but partly because they have been providing their families with better living. This has, of course, been possible only because farm incomes have increased. Thus, the rising level of spending for the farm family is the result of three factors--higher prices, increased incomes, and a higher standard of living.

By the standard of living, I mean the goods and services that people expect to have. These are not their long-run goals, and certainly not the dreams that are often not going to be realized; they are rather the current ideas that large groups in the population have in mind as to what is reasonable and right, and what is possible to achieve. Quantitative description of this standard is not easy. But for the purpose of this discussion, it seems reasonable to describe the farmers' standard of living as including the consumption of goods and services equal to those enjoyed by most city families. Farm families have made some progress towards realizing these goals but they have still some distance to go. This "catching up" of farm families with all consumers made special progress from 1947 through 1949.

^{1/} References are to Rural Family Living Charts, prepared for the 1953 Outlook Conference, October 1952.

The important point in this Outlook setting is that spending for consumer goods both by farmers and by the total population has continued to increase. Although for the last year it has no more than kept up with price increases, over the past 10 to 15 years, expenditures for living have gone up more than can be explained by higher prices alone.

On the basis of the long-run trend toward general improvement in levels of living of the population, further rises in farm family living costs seem to be in prospect. Farm people are not yet on a par with urban people in consumption of many goods and services, and the urban standard itself is not static.

The next chart gives a rough idea of the level of farm family spending during the past 6 years (Chart 12). The three groups of bars show food, clothing, and medical care expenditures; the six bars in each group represent six areas, whose location is shown by the map. The studies reported are for different years, 1944 to 1949. To take care of differences among these years in the price level, expenditures are expressed in 1952 dollars. There is variation, of course, among the groups because of differences in income, type of farming, family size, and climate. Among these groups the highest average food expenditures were somewhat over \$900 a year, and the lowest, nearly \$400. The range in the averages for clothing (which is shown by the second group of bars) is from \$250 to about \$500; for medical care from \$100 to \$250. In general, the high-level expenditures are found in the high-income areas among those studied--Montana and selected wheat counties in Kansas which are the first two bars--while the lower-average expenditures are in lower-income areas, Tennessee and two Mississippi counties. While there are reasons in addition to income for these differences, some of which I shall discuss in more detail presently, this chart seems to me to show in general the kind of spending farm families are doing at the present time.

Food

Home production of food for family use is one important reason for food-cost differences among groups of families. This chart shows the share of the total value of food that is provided by home production--the red portion of each bar (Chart 13). Reports are from five areas, three in the South. This chart suggests that from one-third to two-thirds of the total money value of farm family food is supplied by home production. Even in an area of a highly specialized type of farming, such as cotton, over one-third of the family's total food supply is furnished by the farm. In the tobacco and mountain areas of the South where conditions for home food production are favorable and home gardens and farm slaughter of meat animals are part of the established tradition, home-produced food assumes even greater importance, both in the share of the total it supplies, and in its absolute average value. In the tobacco area, for instance, the value of home-produced food was nearly \$700 per family.

Whether the farmers' changing standard of living includes more or less home production of food is a crucial question for projecting family living costs. It is not easily answered, however. There seem to be two conflicting trends. First, we see farm homemakers choosing to buy many foods in order to take advantage of the labor-saving forms that the market

offers. But, on the other hand, the experience with food scarcities during World War II and the recent popularity of home freezers have given new impetus to home-production programs. Census data indicate that less food is produced on farms for the family's own use now than just before and after World War II; but that the amount in 1949 was still not as great as in 1929. I conclude that home production still is and will continue to be a significant source of farm family food supplies, although in projecting farm family food costs we need to allow for the long-run trend away from home production of certain foods.

This chart shows the trend in farm gardens (Chart 14). Although drought reduced the percentage of Plains, Western and Mid-west farms with gardens in 1934, the percentages of farms with gardens in other regions rose in these depression years. The war years increased interest in gardening. Since World War II, the number of gardens on farms has declined markedly. As of 1949, 7 out of 10 farms in this country had home gardens, with the Southeast ranking highest and the West the lowest. However, even in the West more than half the farms had home gardens.

Somewhat fewer than two-thirds of our farms reported the slaughter of meat animals in 1949. This represents a decline from 1939, but it is not large. This chart shows that farm slaughter of meat animals was most often reported on Midwest, Plains, and Southeast farms and, as is true of other kinds of home-production, least often in the West and some Northeastern States (Chart 16).

From all available evidence it appears that the long-time trend in home food-production on farms is downward. As they can afford it, farm families are evidently choosing to lighten the work load of homemakers in food production and processing and to take advantage of the greater variety now available to them on markets. A danger in this trend should be noted. Through home production programs, families have been making important contributions to the nutritional quality of their diets. It is important, therefore, in lessening the total effort in home-production programs to retain emphasis on those foods that make the greatest nutritional contribution to the diet.

Housing and equipment

It is in housing and household equipment that the greatest gains have been made in the farmer's level of living during the past 10 years. These improvements were badly needed and farm families as a group still have a long way to go to meet the level of city families.

Perhaps the biggest single factor responsible for progress in farm housing has been electrification. This chart sums up both progress and where we stand today: Electric service from central stations on 84 percent of all farms in 1951 (this is the high point in the trend line in the lower right-hand corner of the chart); 90 percent or more electrified in many States of the Northeast, North Central, and West (Chart 19). The progress in farm electrification has been dramatic. But the main point is that electrification is the key to many additional improvements in farm living.

Greater use is made of electricity in the house than on the farm. This chart shows, for Eastern Iowa farms, that 81 percent of the electric current is used by the household (Chart 24). The trend line in this chart shows the expansion in farm family use of current with higher income--evidence that although the task of electrifying farm homes is nearly completed, the potential use of electric current by farm families is still great for living as well as for farm production. This is another element of a rising standard of living that makes for higher living costs.

An electric washing machine is one of the labor-saving devices most widely owned on farms, and is an important benefit that farm families have gained from electrification. There are 13 States in the Northeast, Midwest, and Northwest in which more than 80 percent of the farm-operator families have an electric washing machine; and in nearly all the States outside the South, more than 60 percent of the farm operators have a washing machine (Chart 23).

Now that we have electricity in so many farm houses, installation of running water is the next important forward step. It should repeat the history of electrification. There has been an increase from 18 percent of the farm dwellings with running water in 1940 to 42 percent in 1950. Certainly this is a remarkable achievement. Doing as well again in the next 10 years is not an unreasonable expectation. To install and maintain running water and the equipment that goes with it is, of course, a costly undertaking. But it seems to me to be one of the costs of family living that agriculture should expect to bear.

This chart shows that water in farm houses is most prevalent in the Northeast and the West (Chart 18). In the States colored red in this chart, 70 percent or more of the farm houses have running water. The States colored blue have the next highest percentages; from 40 to 70. The white States on the map are those for which Census reports were not yet ready when the charts were made.

Clothing

In clothing, farm families are following the same pattern of catching up to urban levels. Although farm families are somewhat less well supplied with clothing than city families, the differences are not great.

We have a chart from a study made in Minnesota, comparing the clothing of farm and urban husbands and wives. For this comparison we have eliminated from the city group the wives employed outside the home and have confined the comparison of the husbands to those who wore work clothes at work. We were trying to get a city group whose occupational needs were as nearly as possible like those of farm families. This chart shows a comparison of quantities of clothing--quantities owned and quantities purchased (Chart 25). By a process of weighting we were able to add up all the

garments in the wardrobe and come out with a single index figure of inventories and purchases of clothing. On a quantity basis, therefore, we find that the farm wives owned 72 percent as much clothing and purchased about 83 percent as much as the city wives. The indexes for garments owned and purchased by the farm husbands were even higher than those for the wives. However, because farm families still pay less for the garments they buy than do city families, there is a greater difference in expenditures for clothing between the two groups than in the number of garments.

Other family living costs

There is a group of family living costs that depend on the community. Needs for education, medical care, and recreation are seldom met satisfactorily except through community action. In these respects farm families were formerly much less well served than city families. Part of the improvement in farm family living in recent years has been accomplished by improvement in these services. This has been a costly undertaking and has resulted in some increase in tax rates on farm land.^{1/} But in assessing the outlook for farm family living costs we must include the expenditures of public funds needed to provide farm people with schools, hospitals, public health and recreational facilities equal to those available to the rest of the population.

This chart of rural school expenditures illustrates the situation (Chart 29). The first half of the chart shows average teachers' salaries; the second half shows total school expenditures per pupil. If such expenditures were equal, the bars in each instance would reach to the top of the chart. It is apparent that equality is not by any means achieved. But the chart does show that differences are less than formerly, and illustrates the "catching up" process that I have been describing for other aspects of farm family living. For example, even as late as 1941-42, rural teachers' salaries were less than half those of city teachers. Reaching a level of two-thirds in 1947-48 is a considerable achievement, but I believe that the spread must continue to be narrowed if rural schools are to be well-supplied with good teachers.

The second half of the chart shows that other expenditures in operating rural schools have not been as low, relative to urban schools, as teachers' salaries. Transportation costs are an important element in rural school costs. Even with these outlays, the chart shows that rural schools were still operating in 1947-48 with smaller expenditures per pupil than urban schools, although the difference has narrowed over that of 12 years ago.

To sum up: Farm family living costs have been increasing over recent years, and it is likely that the present high level will continue. There seems to be little prospect, in the general economic outlook, for appreciably lower prices of consumer goods. Even more important is the fact that farm families have raised their standards as to the kind of living that they believe farming should support. If we define this goal as equality with city families in the consumption of goods and services, we can see that much

^{1/} Taxes Levied on Farm Real Estate in 1951, Bureau of Agricultural Economics, U. S. Department of Agriculture, August 1952.

progress has been made, but that achieving it more fully means still higher living costs. Farm family food is probably the equal of or better than that available to city people. A much greater investment will be required to equip farm houses even with running water--a convenience that I hope will follow the achievement of electrification. Good schools, hospitals, and community services mean higher taxes and these services are likely to be demanded by farm families. High standards of living, therefore, probably will have even more effect than the course of consumer prices in keeping farm family living costs up.

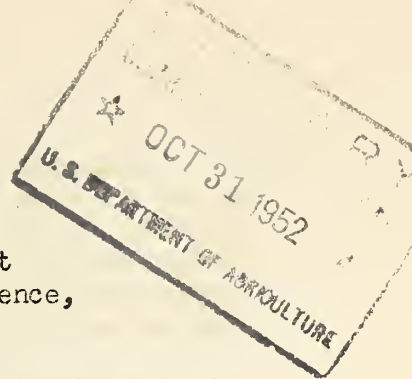
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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

THE FOOD OUTLOOK

serve

Statement presented by Marguerite C. Burk at
the 30th Annual Agricultural Outlook Conference,
Washington, D. C., October 21, 1952



The most important factor in the outlook for food in the United States during the next year or so is the expectation of the further small increase in domestic food production. Although imports and stocks are significant for some individual items, current domestic production is the determining force in the year's food supply situation. Similarly, domestic consumer demands far outweighs the significance of military procurement and exports and shipments on the demand side of the picture.

Our expectation of slightly larger food output next year is based partly upon the expectation of larger production of fruits and vegetables than in 1952 when output was reduced in some areas by unfavorable weather during the summer. Another significant factor is the probability of increased marketings of cattle after four years of building up cattle numbers. This will more than offset reduced hog slaughter this fall and winter and in the first 8 months of 1953 because of the smaller pig crops this year. The remaining significant factors in the situation are the continued plentiful supplies of cereal products as well as most other foods.

Just a word on imports. We expect them to be about the same next year as in 1952. They supply about five percent of the total quantity of food utilized in this country and are particularly important for bananas, pineapple and sugar. The amount of sugar to be imported next year will be determined by the Secretary of Agriculture, who will set the domestic requirement for sugar before December 31 of this year.

We have fairly substantial stocks of most foods on hand. In fact they tend to be larger for most items than a year earlier. So you see that the general outlook for food supplies is really quite good for both the coming fall and winter and for the year 1953.

The consumer demand for food depends essentially on total consumer purchasing power. As you have heard yesterday and this morning, we expect economic activity to continue at a high level, providing full employment and high levels of wages and of other forms of income. Record economic activity will be supported by very heavy defense and business outlays and by consumer spending. The next question is the proportion of the total of consumer purchasing power to be spent on food. After thinking through the underlying factors which determine this proportion, we see no reason for any change next year. Accordingly we are led to the conclusion that dollar expenditures for food probably will be little higher on a per capita basis than they have been in 1952. The slight increase may go partly into increased services and partly for a very slight increase in quantities of food taken.

Assuming that the international situation will continue much as it is now and that there will be no material change in the number of men in the armed forces and no need for building up military stocks, it seems likely that military procurement of food in calendar year 1953 will be approximately equal to that this year. Between 3 and 4 percent of our food is going to the armed forces in 1952.

On the other hand, exports probably will be down some next year, perhaps accounting for only 5 percent of the total food utilization. Most of the reduction will occur in foods of which we already have large supplies. Foreign demand for food from the United States will be smaller, we think, because of better harvests in other food exporting countries and in several of the major importing countries. However, droughts have reduced crop output in South Africa, Pakistan, Yugoslavia and certain other Eastern European countries but their ability to buy food from us is limited by their shortage of dollar exchange.

Taking into account the foregoing pictures of supplies and of total demand for United States food, we find that the situation in 1953 is likely to be quite well in balance. But we must note that the situation will be affected by the expectations of producers and distributors concerning the demand and price outlook for the commodities they handle, by seasonal changes in supplies, and by processing and marketing costs. Our analyses of the over-all situation and of the situations commodity by commodity, lead us to the conclusion that there will be little change in the average for the year 1953 in the Bureau of Labor Statistics index of retail food prices from the average for 1952. However, there are certain problems in interpreting this index as a measure of the general level of retail food prices from the standpoint of the consuming public. For example, we expect increased supplies of the lower grades of beef, some cuts of which are not priced in the index as well as shifts in consumption rates among various foods. Nevertheless, we conclude that food supplies and the demand for food are such as to maintain prices and food expenditures near the present level. Rising costs of processing and marketing would be expected to exert upward pressure on retail food prices. But this factor seems to be offset by the fact that prices farmers receive for food commodities they sell have already weakened and are expected to be down some in 1953 from 1952. However, much depends upon how retailers and other distributors handle their margins. Will they be widened by maintaining retail prices or will retail prices be lowered somewhat in line with the reductions in farm prices? The former seems more likely because of rising costs.

Now a brief glance at the retail price outlook for particular commodities. We expect prices of turkey, eggs, butter, bread and some other cereal products, dry beans and peas and canned vegetables to average a little higher next year than in 1952. But prices of beef and veal, particularly the lower grades, perhaps lamb and mutton, chicken, fish, frozen fruit juices and fresh vegetables will be likely to average lower because of the expected supply situations for these commodities. The prices of other foods are not likely to be much different next year.

The over-all index of per capita consumption of major foods combined by means of retail food prices in 1935-39 is likely to run about the same in 1953 as in 1952. However, we do see the possibility of a point or two increase, depending principally on the meat outlook and the effect of weather conditions next year on production of fruits and vegetables.

During the coming fall and winter months our analyses of food supplies lead us to expect somewhat higher rates of consumption of beef and veal, turkey, eggs, fish, oranges, frozen fruits and vegetables and margarine than in the fall and early winter of 1951-52. However, these increases probably will be partially offset by lower rates of consumption of pork, butter and some other dairy products, canned vegetables and tree nuts.

Then looking ahead to 1953, we forecast some increases in the consumption per person of beef and veal; chicken; margarine; frozen fruits, fruit juices and vegetables; fresh vegetables and sweetpotatoes compared with 1952 average rates. Again we see that the consumption rates for some foods will be lower, namely, pork, eggs, turkey and butter.

Recent developments on two foods merit special comment. The first is the continuation of the sharp rise in the consumption of frozen concentrated citrus juices. This product may absorb one-fourth of the citrus produced for 1952 consumption compared with only 1 to 2 percent in 1948. Its rapid rise appears to be due to economy in marketing costs compared with fresh fruit, convenience in use, quality control, smart merchandising and pricing.

The second food for special notice, as so often in the past, is potatoes. Potato prices have set new records in the past few months for several reasons, principally a small late crop of below average quality last year. This fall the late crop of potatoes is estimated to be 9 percent larger and of better quality. Shipments of this crop are running very large so local markets should be adequately supplied very soon. Then we can expect some drop in potato prices at retail. We can't predict the exact timing.

As you might expect and as you know from experience we are quite likely to be proved wrong in our forecast of some items. Let me note a few of the problem areas. First, look at our economic forecast. It is very difficult to know at this time just when defense spending will level off and how the economy will react to it. As you know the expectations and anticipations of businessmen can materially affect their outlays for plants and equipment and their accumulation of inventories. Essentially our thinking on this subject is that consumer purchasing power next year is likely to be maintained at a high level even if business and government outlays level off. But economic forces might act more rapidly than we expect. The second problem area is the proportion of income or purchasing power to be spent for food. We all know that people's expenditures for food can be significantly affected in the short run by suddenly increased expenditures for durable goods or by increases in the rate of saving. Barring new developments in the international situation, we have concluded that there will be little change in the proportion of income spent for food.

It goes without saying that one of the biggest problems in forecasting the food situation for 1953 or any other year is our assumption as to weather conditions and their effect on crop production. Here we are safest as statisticians if we assume normal weather and average yields. Another problem which is particularly serious this year again is the timing and extent of livestock marketing. Our livestock specialists have forecast a slowing down in the rate of increase in livestock numbers. Therefore, as a corollary, they forecast larger marketings of cattle during the coming year. But livestock producers could become concerned about the prospects for livestock prices and greatly increase their marketings. On the other hand, they might not increase cattle marketings as much as we expect.

The retail food price outlook is complicated by the fact that farm prices for some commodities have already turned downward, but the reductions have not been reflected at retail. So we wonder just how much retail prices will be affected in coming months by these lower farm prices and whether with strong demand it is not possible that farm prices will strengthen. Moreover, we recall that retail prices are frequently described as being sticky; that is to say, they are less flexible than are farm prices. Many retailers and other distributors undoubtedly desire to widen their margins because of their feeling that they have been unduly narrowed by price control regulations. Furthermore, we expect some further increase in marketing and processing costs which would be expected to be reflected in the retail food price structure. It seems likely to us that such cost increases will be a strengthening factor for the food price structure at retail and will help maintain food prices in 1953 at about their present levels, with, of course, some changes for individual commodities.

In conclusion, let me call your attention to what the Bureau of Human Nutrition and Home Economics has to say about the nutritional aspects of our food outlook. "Except for a slight increase in the quantities of ascorbic acid and vitamin A, little change is expected in the nutrients available for consumption in the coming year. Available food supplies will continue to provide abundant and varied diets.

"Predictions of somewhat larger supplies of oranges account for most of the anticipated increase in ascorbic acid, while the expected increase in vitamin A is due to possibly higher consumption of sweet-potatoes."

- This represents the highlights of the 1953 -
- Outlook issue of The National Food Situation for -
- Oct.-Dec. 1952. A processed publication by the -
- Bureau of Agricultural Economics. -

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics



INDEXES OF LEVELS OF LIVING FOR COUNTIES AND OTHER GEOGRAPHIC AREAS

Talk by Margaret Jarman Hagood, Head, Division of Farm Population and Rural Life, Bureau of Agricultural Economics, at the 30th Annual Agricultural Outlook Conference, Washington, D. C., October 21, 1952

Making level of living indexes is one way to go about the problem of measuring how well farm people are living. Indexes of level of living can be used to supplement the pictures available from analyses of net income and expenditure data when these are available. The greatest utility of the indexes to date, however, has been to provide a relative indication of how well farm families are living by small geographic areas such as counties or small groups of counties for which data on net income and family living expenditures are generally not available.

What we try to measure with level of living indexes (1). In simplest terms, our indexes are trying to measure relatively how well different groups of farm people are living. In a given year this is affected by the current expenditures for family living, by the expenditures of previous years for durable goods that have utility in the given year, by the amount and quality of various types of services provided by the community -- such as schools, hospitals, libraries, roads, etc. In addition to these tangible factors affecting how well farm people live at a given time in a given community or area, a host of other social, psychological, and political factors affect the amount of satisfaction in living experienced by farm families. Our indexes cannot attempt to include these latter types of factors because statistical data on them are not generally available. In somewhat more precise terms, then, our indexes are intended to reflect the average level of consumption or utilization of goods and services, including both publicly furnished and privately secured, that contribute to well-being and provide satisfaction.

Uses of the indexes. The BAE county indexes of level of living of farm-operator families have been used by Extension workers and other people in practical program planning as well as by persons engaged in analytical research. A recent publication of the Extension Service on "How to Develop a Program" stresses the importance of county committees in this process and the need for channeling basic background material to these communities by extension subject-matter specialists and county agents. (2) Among these materials, emphasis is placed on data related to level of living in the county to help in formulating the particular type of program needed in the county.

The basic problem in making level of living indexes. The basic problem in construction of our indexes is to develop a method of selecting and putting together data from the available sources in such a way as to reflect relative variation both geographically and over time in the average level of living of farm families as defined above. The feature of the problem that differentiates it from problems of index construction in most of the other indexes issued by the Bureau of Agricultural Economics is that the concept of what we are trying to measure has not been formulated in terms of commonly used units, such as dollars, tons, livestock units, acres, or man-hours of labor. This means that we have to define the units of the scale in more abstract terms, and that makes the index less readily understood.

Summary of procedures in making the indexes. The details of the procedures used in making the indexes are given in the appendix to the recent publication, Farm-Operator Family Level-of-Living Indexes for Counties of the United States, 1930, 1940, 1945, and 1950, (3) and in earlier publications cited in that report. There is time here only to summarize these and to discuss one or two of the most commonly raised questions about these procedures. The procedures included:

- (a) From data available, selecting items to be included in the index. Earlier work based on the 1940 Census provided evidence that an index based on four or five items properly selected could provide a measure of relative levels of living about as satisfactorily as one based on two or three times that number. The key principle in narrowing the selection among the group of items that were available was to retain those which were reflectors of other items in the level of living as indicated by high correlation coefficients.
- (b) Developing weights for these items to be used in the process of combining them into one summarizing index. As in selection, the process of weighting involved correlation and factor analysis procedures that assigned weights to the selected items in proportion to the sensitivity of an item in reflecting differences in the total level of living covered by all the items and their correlates.
- (c) Scaling the index so that it would have some reference points for interpretation. The index value of the average county of the United States was set as 100 for the year 1945 and this must be taken into account in interpreting the index. A county value of 100 does not mean a perfect situation, or even necessarily an adequate level of living among farm operators in the county. It simply means that farm operator families in that county were about as well off, on the average, as farm operator families in the entire United States in 1945.

Question regarding (a): Why does the index not include items on home production of food?

The index can cover only the core of level of living that holds, at least as a standard, for all parts of the country and all types of farming in the Nation's agriculture. For the country as a whole, the proportion of farm production used by farm households is higher in the areas of subsistence farming than in the better commercial areas. For a more narrowly delimited geographic area, it might be desirable to use some measure of home production of food to differentiate level of living but this was not deemed feasible for an index formula to be applied to every county of the United States. (4)

Question regarding (b): Why does the index formula have a higher relative weight for the possession of telephones than for the value of products sold? The Experiment Station Director raising this question pointed out that certainly gross farm income is a more important factor in affecting levels of living than is the presence of a telephone. The latter point is granted. However, the items in the index are not weighted according to the value of the item per se, but according to the correlations of other items involved in the level of living with each item used. I suspect that a good measure of average net income would get a higher relative weight than telephones, if it had been available for use in making our county indexes. In the absence of such a measure, the average value of sales of farm products was used as an imperfect reflector of net income. It is known that the relation between gross value of sales and net income available for family living varies substantially according to type of farming area and other factors. The correlation and factor analysis procedures used in determining our relative weights indicate that, within the framework of our definitions and assumptions, the variation of counties in proportion of farms having telephones should be relied on as a slightly better indicator of average level of living of farm operators than the variation in average value of products sold.

Question regarding (c): How can one interpret the United States average county increase from a value of 79 in 1940 to a value of 122 in 1950, an increase of 54 percent? (5) This is perhaps the hardest question of all, because it has to be done in terms of an abstract scale. The scale is defined in terms of two points: 100 is the value for the average county of the United States in 1945, the midpoint of the decade; zero on the index scale represents the level of living of farm operators in a hypothetical county of the United States in which there is no income from sale or exchange of farm products, in which no farm operator owns an automobile, no farm has electricity, and none has a telephone. Conceivably, a subsistence level of living could be maintained, but any further reduction would mean negative values that are inconceivable according to standards prevailing in the United States in 1945.

Given these two reference points, one point or one unit on the index scale means 1/100 of the distance between the zero situation and the 100 situation. According to this sort of measuring scale, the average county in the United States increased 43 units between 1940 and 1950, or 54 percent of its 1940 value of 79 units.

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What the indexes show for 1950. (Slide from BAF Neg. A8455-HX). This map has the counties of the United States grouped into fifths according to their values on the indexes of farm-operator levels of living for 1950. The black areas of highest level of living are concentrated in the middle and eastern parts of the Northeastern States, in the Corn Belt and adjacent portions of the Great Lakes Dairy Area, in West Texas, California, and scattered areas of the Mountain and Northwestern States. At the other end of the scale, counties in the two lowest quintiles are almost wholly in the Southeast and scattered parts of the Southwest.

The general regional differences are those to be expected from other data relating to farm income and levels of living. Perhaps the chief value of these indexes to Extension workers is the differentiation they provide among counties or groups of counties within a state. Texas, Illinois, Florida, Missouri, and Kentucky for example have counties ranging all the way from the lowest to the highest fifth.

Change in levels of living of farm-operator families, since 1930. Farmers are generally much better off now than in 1930, but the improvement in their levels of living has not been at an even rate during the period. The depression of the early 1930's affected farmers' living so adversely that even after the slow recovery in the latter part of the decade, about a third of the area of the United States showed lower farm levels of living in 1940 than in 1930. (Slide from map entitled, "Increases and Decreases in Indexes, 1930-1940.") ^{1/} The two shades of red indicate the location of these areas of decrease was mainly in the middle part of the United States. Areas with over 20 percent decrease in farm level of living show up in the Dust Bowl and in the South Central States. Areas with substantial increase were chiefly in the South Atlantic States and Louisiana.

The war and post-war prosperity of the 1940-50 decade produced a quite different picture. The average level of living for farm-operator families rose in every area of the country. (Slide from map entitled "Higher Indexes in All Areas in 1950 than in 1940,") In general, the greatest relative gains were made in the parts of the South which had the lowest living levels at the beginning of the period. Many areas of the Plains States that had suffered during the 1930's from drought showed higher than average rates of increase. Areas of only moderate increase coincided largely with those indicated on the first map as having the highest absolute values on the index. Thus the effect of differing rates of increase in level of living of farm families has been in the direction of reducing differentials among areas.

^{1/} In this and the next map, counties were grouped into State economic areas (agricultural) for computing rates of change.

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- (2) "How to Develop a Program," Talk given by J. L. Matthews, Extension Service, U.S.D.A., at the Tennessee and Virginia Annual Extension Conference, August 1952. Processed.
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- (4) Hamilton, C. Horace, Review of Rural Level of Living Indexes for Counties of the United States, 1940 (Current Bulletin Reviews. Rural Sociology, Vol. 9, No. 2. June 1944, pp. 184-186) and Hagood, Margaret Jarman, Rejoinder to the Review by C. Horace Hamilton of Rural Level of Living Indexes for Counties of the United States, 1940, appearing in Rural Sociology, June 1944 (Current Bulletin Reviews. Rural Sociology, Vol. 10, No. 1 March 1945, pp. 87-90).
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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

JAN 21 1953

LOOKING AHEAD FOR MUTUAL SECURITY

Remarks by D. A. FitzGerald, Associate Deputy Director, U.S.A.
before the Agricultural Annual Outlook Conference Dinner,
October 22, 1952, 7:15 p.m.

It is both a privilege and a pleasure to be with you this evening, though I must confess my presence here tonight actually is due to the watchful eye of my staff. When Bushrod Allin asked me several weeks ago to speak to you, I put the date down on my calendar and then proceeded to forget all about it. Ten days ago I got a cable in Rome, from Mrs. NaDeau, whom many of you know, saying -- 'don't forget you have got a firm date to speak at the Annual Outlook Conference on October 22' -- and so here I am. This time yesterday -- just 24 hours ago -- I was in Europe. Actually I have been in Europe for the past month and indeed got as far east as Ankara, Turkey, which the geographic purists will tell you is in Asia, not Europe.

This has been my first extended trip across the Atlantic since 1949 and, as a consequence, I find myself more inclined to talk about what the Marshall Plan and its successor, the Mutual Security program, has meant to Europe and European farmers than about their significance to American farmers. So let me talk a little bit first about my observations in Europe and then turn to the question of what the European program means for American farmers and Americans generally.

European agriculture and European industry has made steady and, in some instances, spectacular progress from the position in which they found themselves five years ago. Industrial production in the Marshall Plan countries has increased by more than 60 percent and is nearly 40 percent above prewar. Agricultural production has increased about one-third since the low point in 1947 and is about 12 percent above prewar. However, the population of Western Europe has increased in about the same proportion and Europe still needs to import about one-third of its food requirements as well as almost all its cotton, a majority of its wool and much of its tobacco. While much can be and is being done to improve the productivity of European agriculture, Western Europe will continue indefinitely to be the world's largest importer of agricultural products.

A great deal of the credit for the postwar recovery and expansion of European agricultural productivity must be given to our own Department of Agriculture and the Land Grant Colleges -- in other words, to all of you in the room here this evening. From the first day of its existence, ECA placed major emphasis in the agricultural field on encouraging and stimulating what, for lack of a better word, I call the modernization of European agriculture. On the one hand, we helped finance "see-how" visits of European agriculturalists including young farmers to the United States -- and then dumped them in your collective laps to take care of. On the other hand, we raided your ranks for scores of agricultural "show-how" workers to send abroad for anywhere from three months to several years. This combination of "see-how" visits and "show-how" workers is creating a veritable revolution in European agriculture. There isn't time tonight even to list everything

that is going on but of special interest to this audience may be the development from scratch in some countries and the improvement in all others of the European equivalents of the American extension services. In general, the lack of means of bringing to the farmer the knowledge and information which would enable him to farm better was an outstanding characteristic of the European agricultural scene. Today I think it can safely be said that a system of farm advisory services is firmly rooted in all countries and will in due course make the same contribution to European agricultural progress as the Federal and State extension services make in the United States.

During my trip to France, Italy, Greece, Turkey, Yugoslavia and Germany, I was struck by the physical evidence of the great improvement which had taken place in the economies of these countries between the fall of 1949 and the fall of 1952. People on the streets were obviously better fed and better dressed. In most countries, except France, new housing construction was general. In the more heavily industrialized countries, particularly Germany, new or rehabilitated factories were evident everywhere.

Last Sunday in Bonn, I looked out through a screen of autumn foliage on the constant flow of traffic up and down that main artery of Western Europe, the Rhine River, on which the traffic is as heavy as ever. And they have trailer traffic on the Rhine too. I saw one side-wheeler moving slowly up the river hauling five barges, each barge several hundred feet from the other. The whole procession seemed to me to be about a mile long. Every barge was equipped, among other things, with a clothes line on which the family wash was hung out to dry. Life on the numerous inland waterways in Europe has no counterpart in America.

Thanks to the assistance furnished by the United States under the Marshall Plan, assistance in the form of agricultural and industrial technicians as well as wheat, cotton, machine tools, factory equipment and fuel, combined with the courage and industry of the people themselves, Europe had made outstanding progress in freeing itself of the need for extraordinary outside aid when the Kremlin started the war in Korea in June, 1950. I will touch briefly on the impact of this clear evidence of communist aggressive intentions a little later.

This year, because of the weather, agricultural production in Europe presents an unusually mixed picture. In the aggregate, it was the largest on record and in some countries, such as Turkey, it was literally bumper, due to a combination of good weather, increased planted acreages, and better cultivation, the Turks literally have grain running out of their ears. Just on the outskirts of Ankara, I saw nearly two million bushels of wheat piled on the ground in rows 50 yards long, 20 feet wide and 8 feet high. As each row was completed, it was covered with 6 inches of straw and 4 inches of dirt. The dirt was then carefully rolled to a smooth surface, which I am told completely protects the wheat from rain and snow, which in any event is light, perhaps from 14 to 18 inches a year -- over all the central Anatolian plain. The whole operation was being done by hand by literally hundreds of workers. Incidentally, the total storage cost comes to only about 5 cents a bushel, which as you will see compares very favorably with storage costs in the United States.

Turkey will have a surplus of perhaps $2\frac{1}{2}$ million tons of grain this year, but production has outrun transportation capacity, particularly through Turkish ports, and exports are unlikely to exceed $1\frac{1}{2}$ million tons or about 60 million bushels. Moreover, the quality of Turkish grain leaves much to be desired. The wheat which I saw consisted of a mixture of hard winters, durums, softs and clubs. It is almost universally thrashed by walking oxen over the grain on a hard dirt floor or by sled. While the portion of cracked wheat was low, the admixture of weed seeds, straw and other foreign material was very high. The only discount appears to be for admixtures of foreign materials and the government graders appeared generally to be under-estimating the percentage of foreign material.

Turkey has no bulk grain moving equipment, so all the grain is handled in bags. The bags are much larger than those we used in this country, weighing when full of wheat from 200 to 300 pounds. Weighing is done on small scales about five bags at a time. During the course of a trip from a Turkish farm to the hold of a ship in Istanbul or Eskişehir, I am told that grain is shovelled into and poured out of these bags as much as five times.

The Turkish government guarantees a fixed price for wheat of 30 kuruş per kilogram which is almost \$3 a bushel. While farmers may sell to anyone, most of the grain is purchased by TOPRAC -- the Turkish CCC -- which has over 400 local buying stations. Turkish grain prices, it will be noted, are high and the government is having to absorb the difference between the prices paid farmers and the world market level. The loss this year will amount to about \$25 a ton -- a loss which a relatively poor country like Turkey cannot absorb indefinitely. The Turkish government now realizes this and will gradually attempt to bring internal prices more in line with the international market. This will not be easy, because Turkey is predominately agricultural and a great majority of the members of the Turkish parliament represent agricultural districts. One way in which this can be done will be to grade much more carefully than in the past and to adequately discount for low quality and admixtures of foreign material.

The Turkish transportation system is rudimentary to say the least. There are very few railroads in the country, even fewer hard surfaced roads and practically no farm-to-market roads. Grain is delivered to the TOPRAC buying stations in all manners ranging from a modern truck to a couple of bags slung over the back of a donkey -- the donkey being about as large as a good sized Collie dog.

The standard of living in Turkey is by American standards very low. Most people outside of the larger cities live in huts made of mud and straw and their clothing is so poor that any self-respecting American tramp would not be caught dead in it. But the Turks are going places. Morale is high. They are maintaining a large army which, though poorly equipped, is not afraid of anybody, including their next-door neighbor to the north.

We have a relatively large military assistance group in Turkey and this group and the Turkish military officials, working effectively together, are improving both the training and equipment of Turkish armed forces. If the need arises, we will find the Turks an effective and efficient member of the North Atlantic Treaty Organization, which they joined a few months ago.

Let us move now from Turkey to Yugoslavia, countries which have little in common, except a deep determination to resist all threats of external aggression. In contrast to Turkey, Yugoslavia suffered one of the worst droughts in its history, particularly in the Vovadeine, the Yugoslavian corn belt extending for 50 to 200 kilometers around the capital city of Belgrade. Last year Yugoslavia harvested a 4 million ton corn crop. This year the crop is estimated at 1,600,000 tons. While in Yugoslavia I visited a sugar beet factory north of the town of Novi Sad. Last year this factory operated 5½ months; this year it expects to operate 40 days. Yugoslavia which last year was an exporter of grain this year will have to import perhaps as much as a million tons. How to find the foreign exchange to pay for this grain is one of the major problems with which the Yugoslavian government is now wrestling. Inevitably it will mean a cutback or at least a delay in the Yugoslavian investment program which is needed to enable the country to support one of the largest defense establishments in Europe.

I found my visit to Yugoslavia most interesting. The people are much better dressed and housed than the Turks, but they do not seem to face the future with the same hope and enthusiasm. How much of this is due to present abnormal conditions in Yugoslavia is hard to determine.

The Yugoslav form of government is obviously "Communist," but, the Yugoslavs insist, not Communism. In a most interesting luncheon discussion with government officials they insisted there was an enormous difference. Yugoslav communism, I was told, has no interest in world domination -- or in imposing its economic and social system on the people of any other country. The United States or any other country is completely free to "go to the dogs" under any system it wants to. In fact the officials even implied the democratic political and the free enterprise economic systems of the United States might well be the best for this country.

It is obvious that the expressed attitude and philosophy of the Yugoslavians with whom I talked is in direct contrast to the Communism of the Russian ruling class. In other respects, however, Yugoslavia is certainly communist in the commonly accepted sense. Except in the agricultural fields, substantially all the means of production are owned and operated by the government. Any private citizen may employ no more than three workers. All heavy and light industry, all construction, all power, all hotels and stores employing more than three workers are government owned and operated. Until recently farmers were under strong pressure to join farm cooperatives and the state directly operates many large tracts of land which were confiscated from "enemies of the State". Within the last year there has been some reversal of this trend in agriculture, although the cards are still heavily stacked against the individual farmer who, for example, has to pay about twice as much for his farm machinery as the cooperative and indeed may not even buy a tractor.

Regardless of the basic differences between us in political and economic philosophy, Yugoslavia is an important bulwark against the threat of Russian aggression. It has a large army in being and though poorly equipped by American standards, would, it is believed, give a very good account of itself. As long as Yugoslavia takes the position that it is not interested in imposing its form of government on others, manages its

internal affairs in ways which are not morally abhorrent to us and is prepared to side with us in resisting the Kremlin, it seems to me our interests are well served by giving it urgently needed military and economic assistance.

In many respects, perhaps the most spectacular recovery has taken place in the Federal Republic of Germany. Much of the enormous wartime damage has been repaired and numerous completely new factories have been built. While residential construction is proceeding apace, the absolute shortage of housing is still very great. In the first place, residential destruction during the war was inevitably large but the more important cause of the current housing shortage has been the influx of refugees from the East. Already ten million of these unfortunate people have arrived in Western Germany and they are still fleeing across the borders from the East at the rate of 500 to 1,000 a day.

Moreover, they have literally nothing but the clothes on their backs when they arrive. Even the carrying of a suitcase would greatly increase the danger of detection by Communist police and result in arrest and shipment as slave labor to the uranium mines or other Russian work camps. These people have to be fed, clothed and housed. Whenever possible jobs have to be found for them, though a relatively large proportion are either too old, too ill or too young to work. The absorption of these millions of refugees into the West German economy has been a tremendous operation. Unemployment is still too high, but even so has been slowly declining, which means that all of the natural increase in employables, plus all of the employable refugees, plus a substantial number of the postwar unemployed population, have found productive jobs, the greater majority in private industrial and agricultural pursuits.

While American aid to Germany, particularly in the immediate post-war years, has been very substantial, Germany's recovery has been due in very considerable measure to its own efforts. Whatever else may be said about the Germans, and past German leadership, the people themselves are hard working and industrious, with a high degree of engineering, mechanical and industrial competence. At the present time Germany has no military establishment and no production of military equipment. Thus it has not had the direct rearmament drain on its economic resources that other countries in Europe, notably France and the United Kingdom or the United States have had. This has, of course, facilitated its industrial rehabilitation and expansion and the absorption of the refugees and postwar unemployed.

The clear evidence of Soviet aggressive intentions demonstrated by the invasion of South Korea had to have a profound impact on the free world. The rebuilding of the defensive strength of the United States had to be enormously accelerated and steps had to be taken to help the rest of the free world, particularly Western Europe, build up its defensive strength. The necessity of Europe diverting resources into rearmament has on the one hand inevitably delayed the day on which it can become entirely independent of extraordinary outside assistance and on the other brought to the fore the importance of an expanding and unified European economy, in which Germany plays its full part, able to bear the heavy burden of rearmament and at the same time maintain and gradually improve the living standards of its people. Fortunately the objective of an expanding and unified European economy had its genesis well before the Communist aggression in Korea.

The first step indeed was the establishment in 1948 of the OEEC - The Organization for European Economic Cooperation, as a direct outgrowth of General Marshall's famous speech at Harvard in 1947 - a speech in which he told Europe that the United States would be willing to help underwrite the cost of Europe's economic recovery if all the countries of Europe would get together and develop a program which held out real prospects of being successful. But Molotov walked out of the organizational meeting, dragging the satellite states along with him, thus proving conclusively that the Kremlin was not interested in the economic recovery of Western Europe, but only in its economic chaos.

The OEEC had, and has, no direct government powers and can only make recommendations to its members. Nevertheless, it did represent a first step in European unity and its prestige and influence have grown with the passage of time. Monday and Tuesday of this week I attended a meeting of its Council of Ministers and was greatly encouraged to see the progress that had been made by these countries in working together, discussing frankly and freely their individual and mutual problems and programs and a high percentage of the time reaching unanimous conclusions about what should be done about them.

The next step in European integration was the establishment two and one-half years ago of the European Payments Union, to which the United States made an original capital contribution of \$350,000,000. The Union provides for multilateral clearing of intra-European trade balances and replaced the previously existing complex of scores of bilateral trade agreements, thereby permitting a notable increase in intra-European trade since the surplus of one country's trade with certain members could be used to offset its trade deficits with others. The Union has an elaborate system of monthly settlements with countries who run net deficits and surpluses with the other members of the Union as a group, which puts increasing pressure on such countries to take internal measures necessary to correct these surpluses or deficits as the case may be. In a few instances the Union has even advanced temporary credits to member countries on condition that such countries put their internal houses in order.

The European Payments Union is by no means the ultimate in European integration, but it does represent real progress in the right direction. Last June it successfully extended its activities for another year beyond the initial two years for which it had been organized. Perhaps the best indication of its success has been unofficial inquiries by a number of non-OEEC countries as to the possibility of joining it.

The third step in European integration was the establishment by six Western European continental countries of the Coal and Steel Community - familiarly known as the Schuman Plan. In certain respects this has been the most important and difficult step taken so far, since it involved an actual transfer of sovereign authority from the individual member governments to the governing bodies of the Coal and Steel Community. The convention establishing the CSC has only recently been ratified by each of the six member Governments, and each country's representative to the High Authority, the Consultative Assembly, and other governing bodies appointed. It is thus too soon to have a record of accomplishments to examine and appraise, but the United States is most hopeful that its potential will be realized in practice and has officially announced its strong support.

A fourth and even more significant step in European unity now "in the works" is a European Defense Community made up of the same countries which comprise the Coal and Steel Community -- Belgium, France, Germany, Italy, Luxembourg, and The Netherlands. The protocol establishing the EDC has been initialed and is now awaiting ratification by member governments. Its basic purpose is, of course, the establishment of a single European continental army with a common budget, common weapons, and a unified command. Only a few short years ago a military unification of this kind would have been considered an extreme flight of fancy. Now it has every prospect of becoming an immediate reality.

And this is not all. One of the first actions of the Coal and Steel Community was to appoint a committee representing each one of its member countries with instructions to draw up the terms of a possible political federation. No one expects this to be a quick or easy assignment, yet there are not many who would care to predict that it cannot be done. For the first time in history a democratically established "United States of Western Europe" is far more than a gleam in the eye of a few impracticable visionaries.

The preceding list of organizations considering one or more aspects of European integration is by no means exhaustive. Mention should be made of the Council of Europe in which similar subjects are being debated on a wider geographic basis, of discussions among the OEEC countries looking toward agricultural integration - a Schuman Plan for agriculture, and of discussions among European transportation authorities on integration of European inland transport. All in all, there must be literally thousands of Europeans thinking and talking about and working together on one or more aspects of European political and economic unity. Time alone will permit an objective evaluation of its significance. I myself cannot help but feel it will rank in importance with the Renaissance of the Middle Ages.

I suspect that many of you are wondering of what possible interest or concern a 20th-century renaissance in Europe is to you and the farmers in the communities in which you live and work. I believe it most directly concerns all farmers, indeed all Americans. Accelerated European integration can contribute greatly to the security of the free world. The continental European army contemplated by the European Defense Community could obviously be more effective than the same number of men and machines in six different national armies. Moreover, such integration should permit a given level of defense effort at lower cost, a matter of no small interest to all of us as taxpayers, since we pick up the tab for that residual part of the European defense effort which Europe itself at its current level of economic development cannot undertake.

Secondly, genuine Europe-wide integration, together with the lifting of the heavy hand of internal restrictive trade practices, can contribute immeasurably to the more rapid development of an expanding economy in Europe. Our interest in this is two-fold. In spite of the rapid increase in industrial and agricultural production in Western Europe during the last five years, output is still not large enough to support an adequate defense effort, provide for further necessary expansion in agricultural and industrial production facilities.

and simultaneously permit at least some improvement in European standards of living. Since the war, under the interim aid programs, relief programs in occupied areas and more recently the Marshall Plan, the United States has been contributing resources which now aggregate 23 billion dollars to European recovery and development. Genuine European integration should contribute materially to the reduction and final elimination of further American contributions for these purposes, at least in the metropolitan countries themselves, although there may be sound reasons for cooperating with these countries in a more rapid development of their overseas territories -- assistance which it should be possible to furnish largely through long-term development loans rather than grants of aid.

Over the longer pull European integration is of major significance to American farmers because the expanding economy which should result therefrom should provide continuing markets for American agricultural surpluses. Ever since the war a substantial portion of our large volume of agricultural exports has been financed by the American taxpayer. Under the Marshall Plan, for example, 5 billion dollars worth of American taxpayers' money has been used to buy wheat, cotton, tobacco, fats and oils, rice, and a long list of other agricultural products. If these appropriations had not been available, most American farmers would have found the market for their products much less satisfactory than it has been. And indeed, very considerable quantities might have found their way into the stocks of the Commodity Credit Corporation. I do not want to leave the impression that I approve as permanent policy the large-scale use of the American taxpayers' funds to buy products of American farms and factories in order to give them away abroad. But under the circumstances that existed at the end of the war and because of the vital importance to us of rebuilding a free, democratic Europe, it seems to me wholly justified for a limited period. While the basic purpose of the Marshall Plan, now the Mutual Security Program, was to put Europe on its economic and, later, military feet, the fact is that this greatly benefited large segments of the American economy, including agriculture, which happened to be producing things needed by Europe.

An expanding European economy growing out of genuine integration and related measures should make it possible for Europe to buy with its own resources a large and expanding volume of those agricultural and industrial products which the United States can best produce. A list of the major agricultural products, it seems to me, would include wheat, cotton, corn, tobacco, soy beans, and lard. Without wishing to be too pessimistic, it seems to me there is less prospect, for sometime to come at least, for such traditional agricultural exports as fresh and dried fruits, and most dairy products. Thus most American farmers will be vitally concerned with the development of an expanding European economy as it directly affects their pocketbooks as well as contributing to the security of us all.

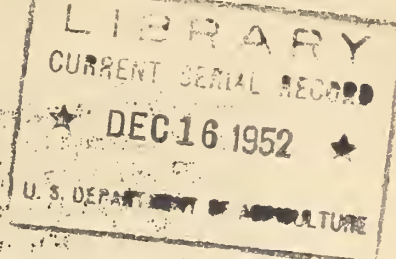
However, an expanding European economy will be beneficial to those American farmers who produce products for the export market only if Europe can earn the dollars with which to pay for them. In the main this has to be through the sale of its products to us. If we want to sell more abroad, we must buy more from abroad, or perhaps more correctly, we must make it possible for others to sell us more. To use another overworked cliché, trade is a two-way street. I am disturbed by the mounting evidence that we

are losing sight of this cardinal fact. There is more and more talk about tariff increases rather than tariff reductions, more and more requests for the use of the "escape clause" in the Trade Agreements Act to protect the domestic producer. That may be all very fine for the producer being protected, but the cost of this protection is in fact paid by all those whose exports are limited by the shortage of dollars in the hands of would-be foreign buyers. Aside from the fact that consumers generally benefit if they are able to buy imported products cheaper than they can be produced domestically, it seems to me that the vast majority of American farmers have a very real stake in an increasing flow of imports from abroad because the dollars so earned will inevitably be spent in very considerable part for the products of American farms.



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UNITED STATES DEPARTMENT OF AGRICULTURE

OBSERVATIONS ON A RURAL FAMILY LIVING STUDY
IN YORK COUNTY, SOUTH CAROLINA



Talk by Elizabeth S. Watson, South Carolina Agricultural Experiment Station, at the 30th Annual Agricultural Outlook Conference, Washington, D. C., October 22, 1952

Much attention is focused on the increasing march of industries into the south in search of markets, materials and manpower and its effect on the farms, factories, and folkways. We home economists in agricultural regions are probably most concerned with its effect on the homemaker.

How much money do rural families spend; how do they spend it; how much of their food supply do they grow, and conserve; how many rural mothers are working away from their homes or farms; are some of the questions to which we seek answers in planning educational programs. In order to provide some of the answers (or raise more questions), the South Carolina Experiment Station home economists undertook a study of family living expenditures among white families living in rural, really open-country areas, of York County, South Carolina.

We have considered York County as a typical Piedmont county where changes have been phenomenal recently. In the year July 1, 1950 to June 30, 1951 over \$60,000,000 capital was invested in textile industries, with \$135,000,000 value of textile products, and over \$30,000,000 annual textile wages and salaries. During the previous year, according to the 1950 Census, the value of all farm products sold was about 6 million dollars. Just what the proportionate difference was 10 or 20 years ago is not known, but everyone living in the area seems to be more conscious of the impact of industries now.

From a random sample drawn in open-country areas only, we obtained 208 completed schedules on family living expenditures from white families consisting of a husband, wife, and at least one child under 18 years of age. There were 260 eligible families out of 650 families living in the sample areas and statistics obtained on all at the prelisting corresponded closely with the same items in 1950 Census data for the county. With the aid of the North Carolina Institute of Statistics in drawing this sample, we expected to get three groups of families--those getting most of their income from farming, part-time farmers, and nonfarmers--with not less than 50 in each group. From these we would attempt to contrast expenditure patterns within the three classifications, possibly according to income.

Tabulations of the data reveal that while 125 of the 208 families (60 percent) were living on farms as defined for the 1950 Census, only 16 (8 percent) received more income from farm than nonfarm sources, and only four of the 16 received all of their 1950 income from the farm. Mrs. Reagan gave the 1950 Census definition of a farm in her talk. Since it is possible for this definition to embrace families who are not generally considered farmers, the 1950 Census Criteria for Determining Economic Class of Farm seem rather important as a means of classification. By

these criteria there were 33 commercial farm (only 5 with over \$5,000 gross sales), 33 part-time farm, and 59 residential farm families in the completed York County group. The commercial and part-time farm families (66) were combined for certain tabulations, and all who did any farming (125) were combined for expenditure tabulations. I repeat that although we have classified our two main groups as farm and nonfarm, most of the farm (109 out of 125) also had more income from outside sources than from farm.

The following charts (slides) will show income and expenditure information: (Summary of information on bar charts given below)

I. Sources of family income, York County, 1950 (average per family)

Class	Total number families	Total money and nonmoney	Non-money*	Total money	Wages and salaries	Net farm (cash)	All other
Commercial and part-time farm..	66	\$3,387	\$913	\$2,474	\$1,524	\$407	\$542
Residential farm..	59	3,363	660	2,702	2,471	244	374
Nonfarm.....	83	3,569	283	3,286	2,915	0	371

* Value of home-produced food and fuel at farm prices, and value of owned or farm-provided housing.

II. Family expenditures including gifts, taxes, and occupational expenses (other than farm)

Class	Number of families	Total expenditures	Food	Clothing	Auto	Housing and household operation	Furnishings and equipment	Medical care	All other*
All farm...	125	\$2,462	\$741	\$302	\$419	\$232	\$141	\$124	\$503
Nonfarm...	83	3,044	1,028	310	342	422	175	130	637

* "All other" includes: Recreation, personal care, tobacco, reading, education, miscellaneous expenses such as feed and garden seed by non-farm families, contributions, income taxes, and occupational expenses.

You will note that the average nonfarm family spent about \$600 more than the farm family and that this difference came largely from food, housing, and "other" expenditures. As you know, housing expenditures would be figured differently for farmers.

Let's look particularly at the food situation:

III. Food for the family

Class	Number of families	Amount spent for food	Value of home-produced food at farm prices
Commercial and part-time farm.....	66	\$666	\$502
Residential farm.....	59	825	331
Nonfarm.....	83	1,028	104

If the home-produced food had been valued at retail prices the differences would have been even greater. Previous food consumption studies in our State have shown that, generally, diets with the highest proportions of home-produced foods surpassed others in nutritive values.

IV. Family "ups and downs" - percent of families having plus or minus net changes in assets and liabilities

	<u>Percent</u>		
	Plus change	Minus change	The same
Farm.....	54	44	2
Nonfarm.....	67	33	

The average family had a net plus change of \$167. Sixty-six percent of the farm families said they had more or the same income as the previous year and 81 percent of the nonfarm families had the same or higher incomes.

V. Family investments in 1950

Percent making investments

Class	Buying or paying on home or farm	Home improve- ments	Farm equipment	Life in- surance premiums	Social Security or other retirement payments	Other, bonds, etc.
Farm.....	19	27	16	85	66*	22
Nonfarm.....	17	20	--	94	92	06

* These were deductions for social security payments from nonfarm wages or salaries of some member of the farm family working in covered employment.

The average family size was 5.5 persons for the farm group and 5.2 for the nonfarm group.

Working wives

How many of the rural mothers are working outside their homes is a question which increasingly concerns home economists in South Carolina, particularly those of us working with these women. As Mrs. Taylor of the Bureau of Human Nutrition and Home Economics points out in an article in the January AHEA Journal, there are many more rural women in the labor force than most people realize. In March 1950, in the country as a whole, one out of every four women living with their husbands was working or seeking work outside her home.

The proportion of rural women in our study who actually worked some time during 1950 outside their home was higher than this--more than one out of every three (36 percent). These were wives of heads of families, and because they were limited to white women and to mothers of at least one child under 18, the general average might be even larger. It was expected that the percentage of nonfarm wives who worked would be higher than that of farm wives, and it was to a certain degree: 45 percent of the nonfarm compared to 30 percent of the farm wives. When those who made less than \$500 during the year were eliminated the percentage difference was still about the same.

Of the 75 wives who worked, one-fourth made less than \$500; one-fourth made from \$500 to under \$1,000; 22 percent made \$1,000 to under \$2,000, and 28 percent made \$2,000 and over. Most of those who made less than \$500 worked very irregularly for a few days or weeks during the year, but some of them may have just started on a regular job late in the year. All of the women farm laborers were in this group.

We did not ask the homemakers why they worked, but the reasons seemed to be the same as the reason most of us work--they needed the money. It was true that 1950 was a bad farm crop year, and both wives and heads of some farm families started to work after they knew that very little money would be realized from the farm. Then too, after the Korean war situation developed in June 1950, the textile mills in the area had rush orders and put on extra shifts of workers so that there was a demand for employees--whether experienced or not.

Three-fourths of the wives who worked at all made \$500 or more during the year, and henceforth only these 56 will be referred to as the working wives. By far the largest number were employed as textile operatives--39 out of 56. Of the other 17 there were six in the professional class (teachers or registered nurses), seven in the clerical or sales classification, with one proprietor and three "other operatives." There was no "Rosie the Riveter," nor other unusual paying occupation for women in our York County sample.

In 26 of these cases the children (or child) were all of school age or over, in 18 cases they were both over and under 6, and in 12 families where the mothers worked all the children were under 6 years of age. There seemed to be no predominant plan of caring for small children in the families where the mothers worked. In a few cases there was an older woman relative (usually a grandmother) who lived with the family; in other cases children were taken to their grandmother's home--one grandmother was keeping four "sets" of children at once. Some met the situation by having the father and mother working on different shifts, and only a few had paid help in their homes to keep the children. Older children looked after younger ones occasionally, and some school age children were left alone for a time. No case of a preschool nursery providing care was reported, although one large plant in the county does provide a nursery during the 7 a.m. to 3 p.m. shift.

Expenses for food, for paid help, for laundry sent out, and the wife's own clothing were all higher for the working wives, which seems logical. In the case of food it would be difficult to determine whether expenditures were higher because the wives worked outside instead of staying at home, or whether they were higher because the average family income was usually more when the wife worked. The average size of family was just about the same for both groups.

Installment buying

The old idea that one should not make a purchase until he had the money on hand seemed to have swung over to the "nothing venture, nothing have" school of thought in York County, because nearly three-fourths of all the families were making installment payments during the year, exclusive of automobile payments and/or housing payments. This varied from 84 percent of the nonfarm families to 42 percent of the commercial farm group. Those who were farm families by tradition, or who still had some farm income which came in at only one season of the year were not as addicted to the "\$2 down and \$2 a week for the rest of your life" pattern as the nonfarm group.

Large pieces of equipment such as refrigerators, stoves, and washing machines were bought on the installment plan about five to one. During 1950, 128 of these three items were being bought "on time" and only 24 were bought for cash. Most of the installment purchasers actually did not know how much the carrying charges added to the original purchase price, and some said that they kept no record of when an article would be paid for. In some instances where families had records of carrying charges they seemed to run from 12 to 18 percent of the total purchase price, but such records were the exception. There was a system of "running accounts" at mail order houses or furniture stores which covered a large variety of items bought at different times, yet the buyer continued to pay the same amount every week.

One nonfarm family of eight members with a cash income of over \$8,000 was paying on 13 different accounts covering 18 items exclusive of the house payments. The agent's impression was that the family lived rather poorly in spite of the high income, and that their buying did not seem to contribute to permanent improvement of their living standards. Another family of five whose income was only \$2,400 was currently paying for a house, a truck, an electric pump, a washing machine, an oil stove, and a radio. They were meeting payments regularly, and according to the field agent, living very nicely at the time by the acquisition of durable goods "on time." Their standard of living compared most favorably with that of the same sized family in the \$3,000 to \$4,000 a year class. No doubt, what we define as "good buying practices" may depend on a number of factors in addition to whether cash or credit terms. There seems to be a great need to know how to count the cost of installment buying.

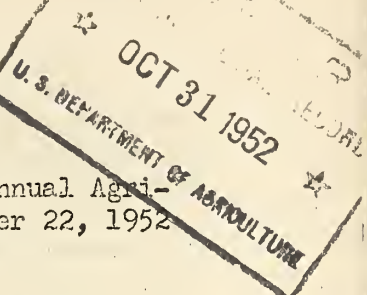
Medical care

Every family with one exception had expenditures for medical care, and the family's economic classification seemed to make little difference in the average spent--(\$127). Neither was there any appreciable difference in the average amount spent by farm and nonfarm families. Families who had some form of hospital insurance spent more on the average than families without any insurance, \$139 to \$102, but their average premium payment of \$16 (which was included in medical care expenses) accounted for some of this difference. If a family with insurance had hospital expenses only the part paid by the family was included. About two-thirds of all families had hospital insurance, some of which was paid entirely by employers, part was a combination and some was paid entirely by only a few individuals. The high-income group of farm and nonfarm families spent more for dentists, oculists and glasses, and for hospital insurance premiums than did the low and middle groups, but the reverse was true for hospital expenses. Forty percent of all families had someone in a hospital during the year, and 33 of these 88 cases were mothers with new babies. Seventy-one percent of those having hospital expense had insurance. The average stay in the hospital was 5 days for all families, or 11 days for those hospitalized. If there were any unpaid bills for family living at the end of the year, the medical bills were often a part of this. It appears that planning for medical care is needed by many families.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

THE OUTLOOK FOR COTTON IN THE 1952-53 CROP YEAR

Statement presented by Frank Lowenstein at the 30th Annual Agricultural Outlook Conference, Washington, D. C., October 22, 1952



The United States supply of cotton during the 1952-53 season is estimated to be slightly smaller than during the preceding season. However, disappearance will decline even more and the carry-over at the end of the marketing year will probably be larger than it was at the beginning by about 500 thousand bales.

Total disappearance is estimated at around 14 million bales, including domestic mill consumption of about 9.5 million bales and exports of approximately 4.5 million. The estimated 1952-53 disappearance is approximately 800 thousand bales smaller than disappearance last season. It is difficult to precisely estimate disappearance at this time, but current indications are that it will be within 600 thousand bales of the above estimate, and exports and domestic consumption may vary as much as 300 thousand bales each from the estimates shown herein.

Domestic consumption will probably show a moderate increase over last season, if present international tensions are not materially altered and if a projected increase in consumer purchasing power and economic activity materializes. Trade reports indicate that the excessive inventories of cotton textiles that existed during the 1951-52 season have been reduced to more normal levels. Trade reports also indicate that the cotton mills have received substantial orders for gray goods for future delivery. The moderate but steady increase in fabric prices during past 3 months also indicates that the textile market has strengthened. The average value of the quantity of the 17 constructions of gray goods made from a pound of cotton was 7.7 percent higher in September than it was in June.

At the same time that a moderate increase in domestic mill consumption is expected, exports of cotton will probably drop from last season's level. This decrease will be caused primarily by an increase of about 2.2 million bales in beginning stocks in non-communist countries and production in these countries about the same size as that in the 1951-52 season.

Consumption of cotton in these countries probably will be no higher than last season's and may be slightly smaller. Western Europe's cotton textile industry is operating well below the levels of a year earlier and it is doubtful if it will recover soon enough and far enough to equal last year's consumption. On the other hand, cotton consumption in India and Japan may be about the same or slightly larger in the current season than last season. However, India started the current season with very large stocks of cotton and imports into India will probably be smaller than they were last season.

The U. S. supply of cotton in the 1952-53 crop year is estimated at 17.2 million bales. As the attached chart indicates, this is about 200 thousand bales smaller than the 1951-52 supply and includes the October 8 estimates of production of 14.3 million running bales (14.4 million 500 pound bales), a beginning carry-over of 2.7 million bales, estimated imports of about 150 thousand, and an allowance for the city crop.

The indicated 1952 crop is about 800 thousand bales smaller than the 1951 crop. This decline was caused by a drop of 1.9 million acres in cultivation on July 1, 1952 from July 1, 1951, a large indicated abandonment of 5.2 percent as compared with 4.4 percent in 1951, drought in the Southeast and Southwest, and subsequent excessive moisture in the Southeast. The average yield per harvested acre is estimated at 280.2 pounds as compared with 271.9 pounds in 1951 and an average of 280.1 pounds in the past 5 years.

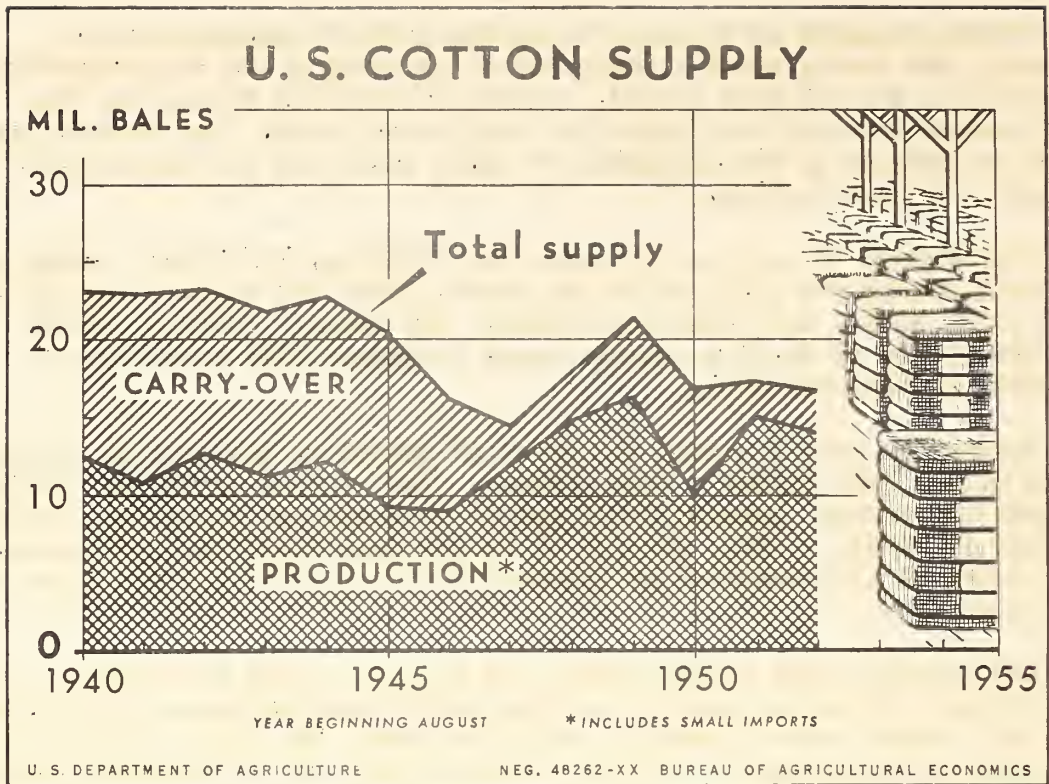
The 1952 crop will be smaller than the 1951 crop in the Southeastern and Southwestern regions but larger in the Western States of California, Arizona, and New Mexico, and the Delta States. The acreage and production in the West is estimated at record levels with 3,250 thousand 500 pound bales being produced on 2,376 thousand acres in cultivation on July 1. The record production in this area means that it will produce a larger proportion of the United States crop than ever before. This continues a trend that has prevailed for many years. For example, the Western states produced an average of 10 percent of the United States crop from 1942 to 1951. In 1951 they produced 19 percent, and in 1952 they will produce 23 percent. The combined reduction in acreage in Oklahoma, Arkansas, Missouri, and Texas of 1,882 thousand acres just about equals the total reduction in United States acreage in 1952 from 1951.

Through September 30, about 40 percent of the United States crop had been ginned. This compares with an average of 36.2 percent for the same period last season.

Post-war crops have tended to be harvested later in the season than were the pre-war crops. During the past 5 seasons, an average of 33.9 percent of the crop was ginned by October 1, but an average of 50.1 percent of the 1935-39 crops was harvested by this date. This is due in part to the westward shift of cotton production. Picking and ginning in the Western States do not start as early as in the rest of the cotton belt. For example, for the 1947-51 crops, California, Arizona, and New Mexico ginned an average of 7.7 percent of their crop by October 1 while the rest of the U. S. ginned an average of 38.1 percent.

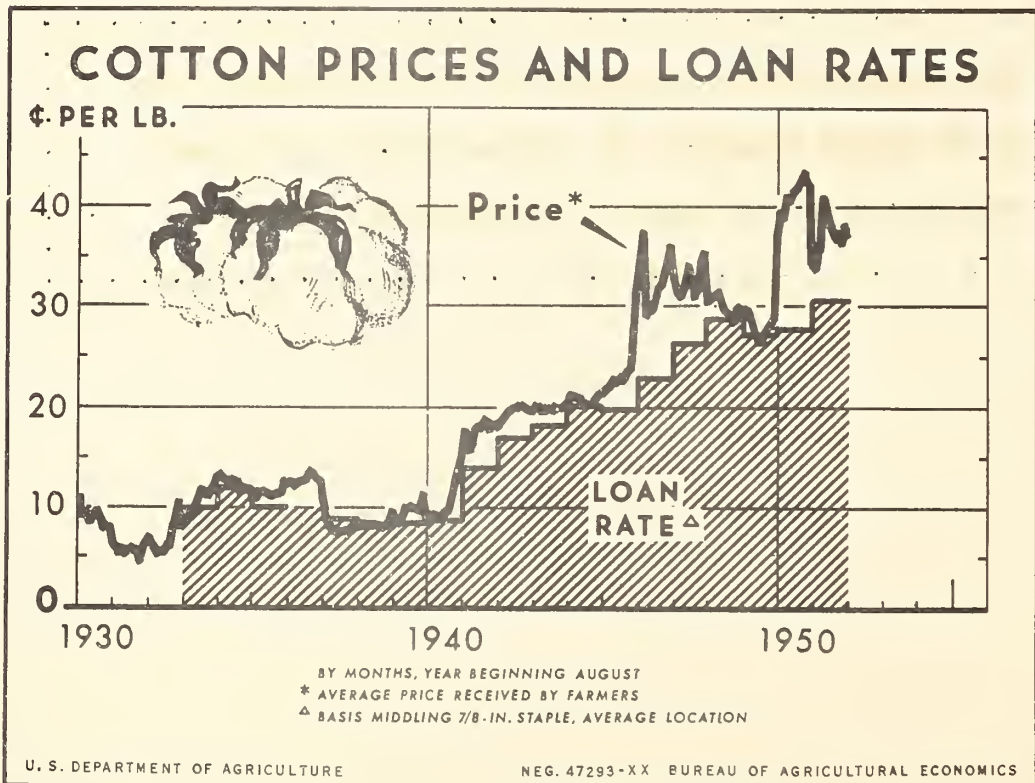
Imports during the 1952-53 crop year are expected to be about twice as large as were the abnormally low imports in the 1951-52 season. Imports of 80 thousand bales of cotton during last season were the smallest amount imported since the 1893-94 marketing year. United States consumption of foreign cotton of 83 thousand bales was the smallest consumption of such cotton since records began in the 1912-13 season. However, consumption and reexports of foreign cotton were larger than imports and stocks at the end of the 1951-52 season were about 38 percent smaller than at the end of the 1950-51 season and 30 percent smaller than the average ending stock for the past 5 seasons. These low stocks, coupled with an expected increase in the consumption of foreign cotton probably mean an increase in the imports of cotton by the United States to about 150 thousand bales, compared to the 1947-51 average of 188 thousand.

This represents the highlights of the 1953 Outlook issue of the Cotton Situation for October 1952. A processed publication by the Bureau of Agricultural Economics.



The supply of cotton in the United States in the 1951-52 season was about 500 thousand bales larger than in 1950-51. The beginning carry-over on August 1, 1951 was the smallest since 1925 and 4.6 million bales smaller than a year earlier, but production from the 1951 crop was 5.1 million bales larger than production from the 1950 crop.

The ending carry-over August 1, 1952 was about a half million bales larger than beginning stocks. The estimate of the 1952 crop, as of September 1, indicates a decrease from 1951 of about 1.3 million bales in production and the carry-over on August 1, 1953 is expected to be the same as it was on August 1, 1952.



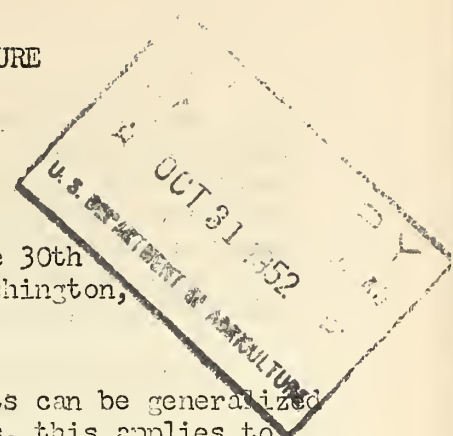
Prices received by farmers for cotton during the 1951-52 season averaged about 2 cents below 1950-51, but were still

larger U. S. and world supplies of cotton and by a smaller domestic mill consumption than in 1950-51.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

THE OUTLOOK FOR DAIRY PRODUCTS



Statement presented by H. C. Kriesel at the 30th
Annual Agricultural Outlook Conference, Washington,
D. C., October 22, 1952

The outlook for dairying for 1953 in many respects can be generalized as "more of what we had in 1952". With few exceptions, this applies to the number of milk cows, production per cow, total milk production, prices, farm income from dairy products, utilization and consumption. Two points that we might single out are first, in a number of areas, owing to last summer's drought, milk prices will continue substantially above a year earlier until next pasture season. Secondly, we can look for a further significant drop in butter consumption to not much above 8 pounds in 1953, less than one-half prewar. Most of the other prospective changes are small in comparison to those we have had in recent years. They are discussed in The Dairy Situation which contains our complete statement of the dairy outlook for 1953. Therefore, to open the session on dairy products this morning, we might do better to examine some of the longer-term developments and prospects for the dairy industry. Any questions pertaining only to 1953 may be raised a little later in the program this morning, if they are not answered incidentally in our discussion period.

A longer-term development with which we are impressed is the small change in the U. S. milk production in the past decade. True, there have been changes in different regions of the country. But for the Nation as a whole, we have not had the customary increase in milk production to match the growth in population. Since 1935-39, milk production has increased only 10 percent while the population has increased 22 percent. Total agricultural output (for sale and home use) in 1952 is expected to be around 45 percent above 1935-39. The number of milk cows declined 14 percent from 1944 to 1949 and has slid off another 2 percent since 1949. The rate of production per cow increased without interruption from 1944 to 1951 but in 1952 leveled off, mainly because of drought conditions.

What are the reasons for the leveling off of total milk production and what are some of the consequences of it?

The reasons are not simple. A very important consideration is the fact that financial returns to management and family labor of people engaged in dairying have increased far less than from other lines of farming. During adverse times of the past, returns to dairymen compared well with other farm alternatives. At least it appears that income of dairymen, on the average, has been in the "black" every year; this cannot be said for some other farming enterprises.

As a basis for these comparisons of financial returns, we are using calculations applicable to "typical" farms. These computations are made on the basis of the average inputs and outputs on farms for each of several different types. The quantities are valued on the basis of average prices received and paid by farmers in the area. In general, the assumption is that these farms have better management than the average for the country and they are greater in size, therefore, probably yielding larger returns.

By 1940, all enterprises were in the "black" with dairy only slightly below in hourly returns but comparing favorably with annual net incomes, since dairymen invariably worked more hours. But with the expansion in economic activity since 1940, dairying has gradually fallen behind. Data for 1951 indicate a large inequality between dairying and alternative farming enterprises. 1/

Why have returns to dairying fallen behind? Some causes farmers have power to remove; over others, farmers have little or no influence. It is generally recognized, I believe, that the efficiency of dairy farming has not progressed as much as many other types of farming. But the reasons for the slower increase in efficiency are hard to establish. Perhaps the experimenters have been slow in pointing the way to reduce capital and labor requirements for milk production. Health regulations also may have helped to preserve a certain inflexibility in methods of dairy farming. But the practical knowledge of technical matters has now been developed to the point where farmers could produce pure and wholesome milk at considerably lower costs. To illustrate this, we will turn to material our fellow economists at Michigan State College recently developed, based on farming conditions in southeastern Michigan. These gentlemen conclude that by adopting known techniques, farmers could reduce costs of producing 100 pounds of milk about 50 percent. At the same time, they could increase the volume of milk sold and raise the returns to the operator several-fold. For example, based on average prices and costs which prevailed in 1945-49, it was calculated that by changing from average to good cows and by adopting improved production practices, a farm operator could experience an increase in labor income for himself from \$1,553 to \$5,733 annually on a one-man farm, from \$2,393 to \$12,747 on a two-man farm, and from \$5,199 to nearly \$20,000 on a three-man farm. It is to be emphasized that these calculations were based on 1945-49 averages; obviously if more efficient production generally led to more milk in total, prices would be relatively lower.

The most promising avenue for increasing net incomes to dairymen, thereby supplying inducements to maintain or increase milk production, is through the adoption of improved techniques to lower milk production costs. It is unlikely that demand will increase. In fact, demand for milk fat has been declining, thereby helping to bring about stability in milk output, and at the same time tempering the price effects of the decline in per capita production of milk.

1/ For a graphic illustration of this comparison, see BAE Neg. 48841-XX "Returns to Dairymen Fail to Match Rise to Other Farmers," published in The Dairy Situation, Sept.-Oct. 1952.

The drop in demand for milk fat has taken three general forms. The most prominent has been the drop in consumption of butter. Butter consumption in 1952 will be around 8-3/4 pounds per person, about half that of 1935-39. In 1953, it will be only a trifle over 8 pounds. One of the inducements for the decline in butter has been the wide differential between retail prices for margarine and for butter. This will average a record high of about 58 cents in 1952. Until 1948 the drop in use of milk fat in butter was offset by increased consumption in other products, and per capita consumption of total milk fat was consistently between 30 and 33 pounds per year. But starting with 1948, milk fat consumption has declined and in 1952 it is a record low of 28 pounds. The second form has been the decline in average fat content of milk in the important outlet as fluid whole milk. Furthermore, cream consumption has been decreasing while consumption of skimmed milk drinks--products with practically no butterfat--has been increasing rapidly. In the third place, we observe that milk fat is being replaced in other products as well as in table spreads. Most of these other products, however, contain milk solids-not-fat and are used in place of the usual dairy products. These are commonly called "filled" dairy products and include evaporated or condensed milk and ice cream. We have no data on the volume of output of these items, but trade reports indicate that it is growing rapidly in some areas. The implications of this for the dairy industry are tremendous. Because of the wide differentials between milk fat and vegetable fat prices, there will be increased efforts to substitute vegetable oils for milk fat with a tendency to reduce milk fat consumption. At present prices, use of vegetable oils in place of milk fat in making frozen desserts would permit a reduction in retail price of about 10 percent. This would tend to increase sales and presumably cut somewhat into the sales of regular ice cream. But at the same time, the market for milk solids-not-fat would be broadened, illustrating that this development is not wholly unfavorable for the dairy industry.

Although consumption of solids-not-fat of milk reached 47 pounds in 1952 compared to only 37 pounds in the 1920's, we have increased our total utilization to only about 70 percent of the amount we produce. Twenty years ago we utilized only 50 percent. The nutritionists might tell us that there is a large reservoir of unused food here. So there is. In fact, even with the increase in population in prospect for 1960, per capita consumption of the nutritious milk solids (milk fat and solids-not-fat combined) could be as great as in 1952 without any increase in total milk production.

It is fortunate from the consumers' view that we have this "reservoir" of milk flow, as it will take quite a while to make adjustments on the production side and only limited quantities of dairy products are available for shipment into the United States, even if imports of dairy products were free of duties and other restrictions. In a great many nations of the world we observe the same relative shrinking in milk supply as we observe here in the USA.

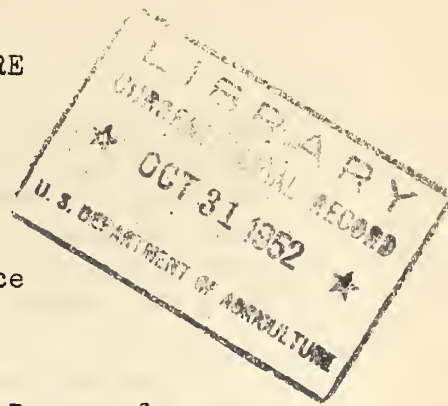
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OUTLOOK FOR DOMESTIC DEMAND IN 1953

Talk by Nathan M. Koffsky
at the 30th Annual Agricultural Conference
Washington, D. C., October 20, 1952



The Demand and Price Situation, released by the Bureau of Agricultural Economics yesterday, carries the following summary of the 1953 outlook, "Domestic demand for farm products is expected to continue high during 1953. Employment will be maintained at a high level. Wage rates and consumer incomes probably will rise moderately at least until mid-year, and for the year as a whole, are likely to average higher than in 1952. However, economic activity may level off in the latter part of the year if outlays for the defense program are stabilized and if investment spending declines moderately as many expansion programs are completed."

This is the third year of our Annual Outlook Conference in which the prospects for the year ahead are wrapped up substantially in considerations stemming from the current defense effort. In two years, we have reached a rate of expenditures of about 50 billion dollars a year for all National Security programs, including the military services, stockpiling, atomic energy and foreign economic and military aid programs. This is almost 9 billion dollars over a year ago and 33 billions over that in the summer of 1950. In the third quarter of 1952, the National Security programs accounted for about 14 percent of the Nation's total output of goods and services compared with 12 percent a year ago, and 6 percent at the time of the Korean outbreak. For the year ahead, current prospects for the size and timing of the defense program involve a further increase in such expenditures to a level of 55 to 60 billions a year sometime in the last half of 1953. At that time, it is hoped that the international situation will permit defense outlays to level off. Thus, the increase in our defense program currently in view for the next 9 to 12 months will approximate roughly the rise that actually occurred over the past year, and may take a slightly larger share of our total productive effort than at present.

In looking back over the past year, one is impressed with the fact that changes in total demand, output, and prices were quite small as compared with the sharp expansion of the previous year. In the 15 month period from the outbreak in Korea to the third quarter of 1951, the flow of expenditures in the economy by Government, consumers and business rose by 50 billions, or 20 percent. During the same period, total output of goods and services rose about half that amount and

prices generally advanced 10 percent to fill the remaining gap. Over the past year the growth in total expenditures has been only 13 billion dollars, 4 percent over the level a year ago. These added demands, which were strongest on materials involved in the military build-up, were met partly by a further gain in output and partly by price increases in a few sectors of the economy.

We have had a fair degree of stability in the economy over the past year, with fewer pressures on resources and on prices than might have been expected a year ago. At the time of our meeting a year ago, the defense program appeared to involve a further increase of about 25 billion dollars in the rate of expenditures by mid-1952. Reappraisal of that program and the development of the "stretch-out" in military procurement resulted in a rise of only a little more than a third of that amount. With lowered sights on our defense program for 1952, it was possible to have a larger production of non-military items than was anticipated a year ago. In other words, we have been able to build more houses, more new industrial capacity and probably more automobiles than would have been possible if the original defense goal had materialized. Furthermore, with the flow of Government expenditures at a lower level than anticipated, the rise in consumer incomes was not as great. These factors tended to prevent a significant build-up in inflationary pressures during 1952.

In reviewing the demands from the Government sector during the past year, it is important to note that not all of its increased demands were associated with the defense effort. Expenditures by State and local governments particularly for public construction, such as schools and highways have been expanding steadily since the end of the war. The rate of such expenditures was more than a billion dollars higher in the third quarter of 1952 than a year previous. Altogether, total outlays for defense and for other purposes by Federal, State and local governments rose almost 11 billion dollars during the year.

However, private investment expenditures have dropped to a level 6-7 billion dollars below a year ago, primarily because of a sharp reduction in the rate of inventory accumulation by business. A year ago, business inventories were built up rapidly when consumer purchases receded from "scare-buying" levels and larger stocks were required by manufacturers to support the rising defense program. Over the past year, excessive inventories in many lines, notably apparel, household appliances and television sets have been worked off. The latest data indicate that retail inventories have been reduced about 10 percent from a year ago while retail sales have advanced moderately.

Other investment expenditures including those for business plant and equipment and for residential construction have remained fairly stable during the year. Capital outlays to expand and modernize productive facilities have been maintained at a record high level. Large expansion programs are under-way in such defense related industries as non-ferrous metals, chemicals, petroleum refining, iron and steel, and electric power. However, capital outlays in nondefense industries, such as textiles, food processing and commercial facilities have trended downward. Farmers' investment in construction and equipment has been maintained at a high level although somewhat below that in the first half of 1951. A substantial part of the defense related plant expansion has been stimulated by accelerated amortization for tax purposes. By late September, facilities totaling about 24 billion dollars had been covered under that program. It is expected that almost one-half of these facilities will be completed by the end of 1952.

With building materials in fairly good supply, the number of new nonfarm dwelling units started this year has run about even with 1951. For the year as a whole, it is now expected that about one million new units will be started this year, not significantly different than a year ago. During September, the restrictions on mortgage credit under Regulation "X" were suspended.

With expanding Government expenditures and maintenance of a high rate of business investment, employment so far in 1952 has averaged slightly above a year ago. The continuing decline in employment on farms has been more than offset by record levels of nonagricultural employment. Unemployment has been reduced to the lowest level since the end of World War II. Factory wage rates have continued to rise, averaging some 4 percent higher in August 1952 than a year previous. Despite higher income taxes, and the loss of income resulting from the work stoppage in steel during the past summer, consumer incomes available for spending were some 6 billion dollars, or 3 percent higher, in the third quarter of this year than a year ago.

Consumer expenditures continued to grow moderately over the past year rising to a rate about 10 billion dollars higher than in the third quarter of 1951. With international conditions essentially unchanged, there were no waves of scare-buying such as characterized the last half of 1950 and early 1951. In addition to higher incomes, the rise in consumer expenditures reflected a reduction in the rate of personal savings compared with a year ago. At that time the rate of personal savings out of current income had risen to the postwar record high of 9 percent. Although this rate has declined fairly close to 7 percent, it is still high relative to other postwar and prewar years. During the last half of 1951 and the first half of 1952, liquid assets of

individuals increased five times as much as in 1950-51 and almost double the amount in other recent years. Currency and bank deposits and savings and loan shares increased substantially. Also the excess of redemptions over sales of Series E Savings Bonds was halved during 1951-52 as compared with the preceding fiscal year, even though large amounts of these bonds began to mature in 1952. As consumers built up their cash reserves, especially in the last half of 1951, and used up many of the goods they had accumulated earlier, they have tended to spend more freely. This tendency was also encouraged by the suspension of consumer credit restrictions under Regulation "W" early in May. Total consumer credit outstanding at the end of August was at a record high, about 2 billion dollars higher than in August 1951.

In general, the supply of goods available to the civilian economy in 1952 has been adequate to meet demands. The wholesale commodity price index is currently slightly below a year ago with substantial drops in textiles and apparel and in hides and leather products. Price ceilings for most products in those groups have been suspended. Wholesale prices of farm products and foods are a little below a year ago levels. On the other hand, allotment controls continue for the metals, and price ceilings for steel, copper and aluminum and many machinery items have been raised. In contrast to a slight easing in average wholesale prices over the past year, retail prices have risen on the average about 2 or 3 percent reflecting higher retail food prices and increasing charges for rent and other services. Rent controls were lifted in many communities on September 30, under the provisions of the 1952 Amendments to the Defense Production Act.

Within this framework of an economy operating at a record level, with mixed price trends but a fairly stable over-all level, and with diminishing controls, let us appraise what changes in demand, supply and prices appear probable by the third quarter of 1953.

First, there is the anticipated increase in the rate of national security expenditures of from 5 to 10 billion dollars from current levels. I think we are on firmer grounds for projecting security expenditures this year than last. We have had another year of experience in appraising the impact and the ultimate goals of the program. Furthermore, we are fairly close to attaining the "plateau" level of expenditures involved in the present program. Whether we have substantially larger expenditures depends on how the international situation actually turns out over the year ahead. But it is not likely that we will have smaller expenditures than the bottom of the 55-60 billion dollar range. Funds are available for this range of expenditure. Since the beginning of the Korean conflict, a total of 129 billion dollars has been made available

for expenditures on military procurement and construction programs.. About 41 billion dollars have been spent. Another 58 billion dollars are in process or on order, and contracts for the remaining 30 billion dollars are expected to be made by mid-1953. This does not include such funds as may be authorized by Congress in its next session.

In addition to the increase indicated for the defense programs, the upward trend in expenditures by State and local governments for public construction will continue through 1953, and probably beyond. The needs for schools, streets and highways are still large. We have not yet caught up with the big postwar baby crop nor have we made it any easier for the Sunday driver. With an improved materials situation in view next year, such outlays are likely to increase over 1952 by perhaps 2 billion dollars. Thus, the probable expansion in total government expenditures is likely to be a minimum of some 7 billion dollars and might well reach 12 billion dollars, slightly more than the increase which occurred over the past year.

One of the big questions in this year's outlook concerns the level of capital investment in 1953. During the postwar period, very large investments have been made in adding to capacity and modernizing equipment. The Department of Commerce has estimated that by the end of this year, industrial capacity in this country will have increased by approximately 50 percent since the end of World War II. There is currently no indication of a weakening in business investment in the next few months. Plans of businessmen for the fourth quarter of this year indicate some increase in capital outlays over the third quarter. No quantitative indication for 1953 will be available until toward the end of this year when the Department of Commerce and some private concerns will survey business intentions concerning further expansion. However, in view of the large capacity now installed and the increasing concern in some industries that over-capacity is being built up, it seems probable that investment in new plant and equipment will not expand over the next year and more likely will be reduced. The decline, if it should occur, is likely to be modest. Even though many defense related expansion programs are nearing completion, there is still a substantial amount yet to be built on which rapid amortization has been granted. There may well be an increase in commercial facilities, some of which could not be built previously because of restrictions on construction.

It seems likely that 1953 will also be a fairly good year for residential construction. With high incomes and easier credit terms, the demand for new houses continues high. However, this is another sector of the economy where output in postwar years has been at a very high rate since the end of the war and has substantially exceeded the

number of new families formed. Apparently, most of the backlog demand from doubled up families carried over from the war has been filled. In addition, the number of new families being formed is declining, reflecting low marriage and birth rates in the early 1930's. The current indication is that between 900,000 and 1,000,000 units will be built in 1953. At worst, this would represent a decline of about 10 percent from this year's level.

There is not likely to be any significant change in the inventory position of American business over the next year. Inventories have been worked down to a better relationship with sales and their composition is better balanced than a year ago.

The magnitude of the possible drop in total business investment over the next year may approximate 4 billion dollars, less than 10 percent below current levels.

With the increase in Government expenditures by the third quarter of next year expected to exceed any drop in investment, economic activity is likely to rise slowly. Employment may increase a little. Wage rates are likely to continue to rise at about the rate of the past year, and consumer incomes available for spending are also likely to make a similar gain. In addition, with high cash reserves and easier consumer credit, the savings ratio of consumers may move somewhat lower over the next year, but is likely to remain high relative to the pre-Korean level. It seems very unlikely that the steady growth of consumer expenditures which has occurred this year will be diminished in the year ahead. In total, consumers may well increase their rate of expenditures by another 8-10 billion dollars over the next 12 months.

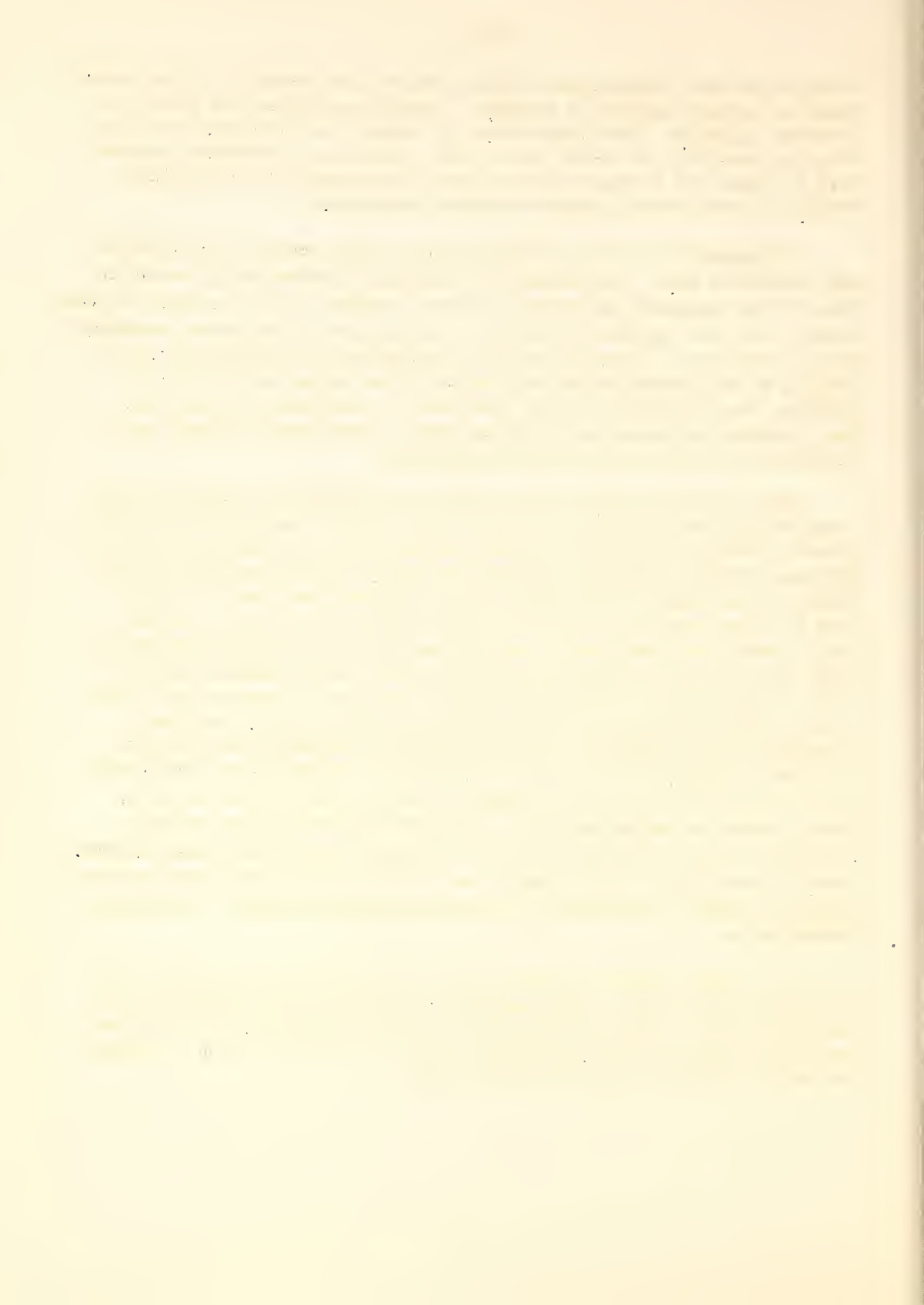
Adding these prospective changes in demand in the major sectors of the economy, an increase of 7 to 12 billion dollars in Government expenditures, a decline of perhaps 4 billions in private investment, and a further increase of 8-10 billions in consumer expenditures, the total flow of money in the economy would rise at least 11 billion dollars and perhaps as much as 18 billions by the third quarter of 1953, over the third quarter of 1952. This would represent an increase of 3-5 percent in total demands over the next year. Even if the higher defense outlay is reached, the increase in total demands would not be much greater than that which occurred over the past year. Such increases as appear to be in prospect would not put much more strain on the productive facilities of the economy than we are experiencing currently. It could be accomplished with a small increase in employment, perhaps slightly higher average hours worked and the normal growth of productivity per man-hour of about 2-1/2 percent a year. Prices generally are likely to continue

fairly firm with perhaps some little further rise over-all, if the higher level of defense outlays is reached. Civilian supplies are likely to increase slightly. Food production, if weather is favorable, will provide as much food per capita as in 1952. Supplies of consumer durables will be larger as a result of the increase in capacity for producing metals, if the defense program continues unchanged.

It would not be fair to take you to a point about a year from now and then leave off. The outlook for that period seems fairly secure in view of the continued expansion in defense outlays and in consumer expenditures. But what happens beyond that when defense expenditures presumably have leveled off? It would be well to recognize the possibility that a testing of the economy might well occur in the winter and spring of 1953-54, especially if business investment is declining at that time. But a decline in investment is by no means a certainty, although such evidence as we have leans in that direction.

Even if the growth of the economy is interrupted temporarily and some easing develops late in 1953, there is little to indicate that the over-all level of activity will not continue high. Expenditures for the National Security programs, although no longer rising, probably will be higher in the winter and spring of 1954 than they are now. It should also be noted that because of military requirements consumers in the last 2 years have been unable to increase their per capita purchases of goods and services, which rose rapidly in the decade between 1940 and 1950. With prospects for larger civilian supplies, consumers may well step up their rate of buying to offset, at least in part, declines elsewhere in the economy. In the recession of 1948-49, when business investment dropped off substantially, consumer expenditures held stable and then began to increase. Consumers have the money to do so again. Liquid assets of individuals total approximately 175 billion dollars, including some 5 billions of Series E Savings Bonds which mature in 1953. Also, if conditions should change, tax policy at that time could have an important effect on stimulating business capital investment and consumer expenditures.

As a final word, it would be well to consider that the spring of 1954 is 18 months away. This analysis is based on the assumption that the international situation continues much as at present. The cold war could get warmer. The ingredients of inflation may be latent at present but their potential remains undiminished.



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THE OUTLOOK FOR EGGS AND POULTRY IN 1953

Statement presented by Edward Karpoff, at the 30th
Annual Agricultural Outlook Conference, Washington,
D. C., October 22, 1952

The current year has not been a good year for egg producers. For most turkey producers, marketings made in November and December will largely determine how good a year it will be; but the experience to date of year-round producers of small turkeys has been less favorable than last year. Broiler producers, despite their ups and downs, have fared moderately well so far in 1952.

For egg producers, the prospect that I am going to outline is a definite improvement from 1952. For broiler growers, on the average I expect a slight decline in profits. For turkey producers, the outlook for 1952 marketings is from some increase in turkey prices between now and the holidays; but the rises are not likely to carry prices to last year's levels. If this expectation materializes, fewer turkeys will be grown in 1953, and probably they will sell at higher prices than in 1952.

In the meetings yesterday and the day before we have heard that economic conditions for the next 10 to 12 months are expected to remain good. That is the most important factor governing the poultryman's economic outlook, since it is an index to the general conditions of consumer demand which are expected for 1953.

Against an expected good consumer demand in 1953, we will have a reduced supply of eggs. On October 1, there were 10 percent fewer pullets on farms than a year earlier. Together with the hens that will be kept for a second laying year, these pullets will probably result in 2 to 4 percent fewer layers and potential layers on farms January 1, 1953 than a year earlier. Even allowing for some increase in rate of lay, this suggests a smaller 1953 egg output than 1952's record high production.

Compared with 1952, the reduction in 1953 egg production is likely to be most pronounced in March, April, and May, which normally are among the months of lowest egg prices. In those months, increased hours of daylight boost the rate of egg production per layer to around 60 percent, and it is hard to attain further improvements in that rate. Therefore, year-to-year changes in springtime egg production are likely to reflect changes in numbers of layers on farms, which at that time will still be closely related to the 2 to 4 percent reduction expected for January 1 numbers.

The springtime supply of eggs, slightly smaller than a year earlier, will be offered in markets that reflect continued business prosperity in the U. S. This supply will have to go around for 2-1/4 million more people

than were in the population a year earlier. However, despite smaller supply and a better demand than in the spring of 1952, there still will be a surplus of eggs in the spring of 1953 beyond the needs for immediate consumption and for hatching. There is such a surplus every year, and it goes into cold storage. What the storers of eggs are willing to pay is a big influence upon springtime egg prices. They are, in effect, the marginal outlet for springtime egg production.

To size up what effects this marginal outlet - storage - might have on 1953 egg prices, let's assume that 1953 egg production in March, April, and May will be 2 percent below 1952. Let's further assume that only the same number of eggs will disappear into consumption channels (this assumes that the increased population will offset some decrease from the record-high per capita consumption, which in turn was associated with very low egg prices this spring). The results of this arithmetic suggest that in the given 3 months of 1953 there will be 1 million cases fewer eggs available for storage --as either shell or frozen--than the 4-1/2 million cases that were stored in the corresponding 3 months of 1952.

Against this reduced supply for storage, I would expect a good demand from breakers and storers of frozen egg, although perhaps a slightly reduced demand from the storers of shell eggs. In 1952, shell eggs were about 40 percent of the peak stored stocks, while frozen were 60 percent.

The expectations for a good demand next spring for eggs for breaking and freezing follow from the premium--which is expected to continue--which frozen egg presently commands over its springtime cost plus storage charges. It also is indicated by the likelihood that by the early spring of 1953, stocks of frozen egg will be down to a lower level than this spring.

Since August the shell egg deal has been less favorable than earlier in the season, but in future years merchants will continue to store shell eggs (a) in anticipation of sharp rises early in future summers, as happened this year, and (b) to have an assured egg supply on hand in order to take care of steady customers, regardless of short-term profit considerations.

Higher egg prices next spring, if they occur as anticipated here, will result in a larger number of chickens being raised in 1953 for laying flock replacement. With feed costs likely to be near to current prices, the egg-feed ratio might be as much as 10 percent above the ratio in the spring of 1952 and the number of chickens raised might increase by as much as 5 percent from 1952's figure of 617 million.

Broiler production probably will increase slightly in 1953, but not by the 9 or 10 percent increase that is in sight for 1952. The slowed rate of increase is expected because producers and financiers are coming to recognize that broiler production is no longer the bonanza that it used to be. After several years in which the annual rate of growth reached 25 percent, the supply of, and demand for, broilers seem to be equated at a

price level which no longer attracts a lot of net new capital to the industry. The opportunities for assured profits through all months of the year no longer exist; at average prices such as the 28-1/2 cent broilers and \$5.50 feed that are about the average that have prevailed so far this year, the producer has to be skilled and efficient to have a chance to make fair profits.

The smaller net growth that is foreseen for the broiler industry, despite the above statement about the degree to which it has matured, is likely to come in areas to which poultry must now be shipped long distances.

In view of the potentially larger broiler supply, and increased competition from red meats, broiler prices in 1953 may average slightly lower than in 1952.

The 1953 turkey outlook is a hard one to discuss in view of the fact that the major part of 1952 marketings have not yet been made. But it seems to me that these remaining 1952 marketings should be made on a rising market. If farmers have adhered to their August intentions, they have already sold a larger proportion of their current turkey crop than was the case last year. In most regions the increase in early sales may have been so great as to leave no more turkeys for November and December sales than were available last year. The two regions that are the clear-cut exceptions, with definitely more late turkeys than last year, are the North and South Atlantic. In the North Atlantic States this excess may not be serious, since the States are a deficit area anyhow.

Turkey prices also are being bolstered by U.S.D.A. purchases, which in mid-October were running at the rate of about 1-1/2 million pounds per week. Cumulative purchases to mid-October, since the program began in September, were 11 million pounds of eviscerated turkeys.

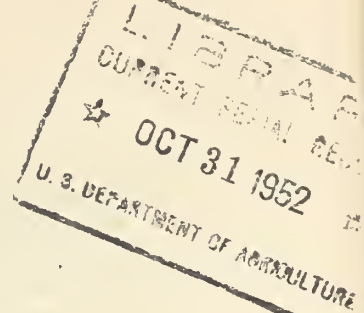
Even if turkey prices improve, there is likely to be a decline in next year's output of both heavy and light breeds of turkeys. Unless price developments of the next few months surprise us, it would seem that the demand which might be expected for next year's crop just doesn't justify a production as large as the 59 million birds being produced this year. Some of the financing agencies that have been behind this year's expansion are reported to have been disappointed with the results, and some reports have it that in 1953 there will be less encouragement from those sources toward an expanded output.

This represents the highlights of the 1953 Outlook issue of The Poultry and Egg Situation, a processed publication issued by the Bureau of Agricultural Economics.



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THE OUTLOOK FOR FEED IN 1953

Statement by Malcolm Clough, Agricultural Economic Statistician,
at the 30th Annual Agricultural Outlook Conference, Washington, D. C.,
October 21, 1952

The 1952-53 season promises to be the fifth of a series of years in which feed supplies are much larger than before World War II. Supplies of feed grains and other concentrates for the 5-year period will average a little over 170 million tons, a fourth larger than in the period 1937-41. But livestock production also has expanded since before the war and feed grain production in the last 2 feeding seasons has fallen short of our requirements. Carry-over stocks of feed grains, which reached a record level of over 30 million tons in 1950, were reduced to about 20 million tons by the beginning of the 1952-53 season. Most of this reduction occurred during the past year, when feed grain production was below the postwar average, much of the corn crop was of low quality, and livestock numbers were at the highest level since the wartime peak.

While feed supplies for 1952-53 are again much larger than in prewar years, they are a little smaller than in the past 4 years. The total supply of feed grains and other concentrates, estimated in October at 165 million tons, is about 5 million tons less than in 1951-52. The drain on reserve stocks of feed grains during 1951-52 was largely responsible for the reduction in the total supply. Farmers are raising fewer hogs this year than last, and the total number of grain-consuming livestock on farms will be a little smaller. The supply of feed concentrates per grain-consuming animal unit is about the same as in 1951-52. The 1952 production of feed grains is expected to be about sufficient to meet 1952-53 requirements without a further reduction in carry-over stocks at the close of the season.

While the total feed supply for 1952-53 appears generally adequate for our current needs, supplies differ greatly by areas. The bumper crop of good-quality corn in the Corn Belt will provide ample feed for that area, but in the South, where drought sharply reduced feed grain production, feed supplies are short. This will mean more than the usual differences between feed grain prices in the surplus and the deficit areas.

The 1952-53 corn supply is a little larger than the 1951-52 supply, since increased production has a little more than offset the reduction in carry-over. The big supply of good-quality corn in the Western Corn Belt is in sharp contrast to the short supplies in that area last year. It will permit more liberal feeding of livestock in the area, and heavier

movement to deficit feed areas and to industrial processors. The larger corn crop produced this year appears to be adequate to meet our needs, and may permit a small increase in carry-over at the close of the 1952-53 season. The supply of oats for 1952-53 is 5 percent smaller than last year. Supplies of barley and sorghum grains are much smaller, which will mean reduced domestic use and exports, and smaller carry-over stocks of these two grains at the end of the 1952-53 season.

Demand for feed is expected to continue generally strong, and the over-all level of feed prices in 1952-53 may not differ greatly from that in 1951-52. The big corn crop in the Corn Belt, however, is expected to result in more of a seasonal decline in corn prices this fall than in either of the past 2 years, when there was very little seasonal weakness in corn prices at harvest time. Corn prices probably will average a little lower this fall and winter than last, but they are expected to rise seasonally later in the marketing year. Prices of barley and sorghum grains are substantially higher this fall than a year ago and are expected to average higher for the 1952-53 season.

Supplies of byproduct feeds will continue large during the coming year, although they may fall slightly below the record supply of 1951-52. The total supply of high-protein feeds is expected to be a little smaller than in 1951-52, but it will be about as large in relation to the prospective number of livestock to be fed.

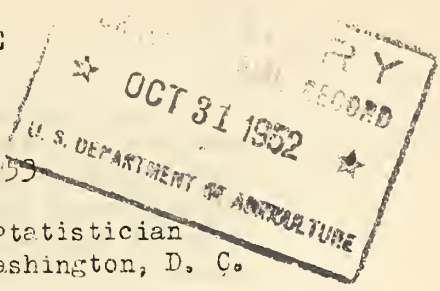
The strong demand for high-protein feed in 1951-52 has held prices of most of these feeds at the ceilings. Prices of these feeds probably will remain close to the ceilings, at least through the winter months. Since ceiling prices on these feeds are now higher than a year ago and production of some classes of livestock will be reduced, the pressure on the ceilings is not expected to be as great as during the past year.

Hay supplies for 1952-53 are a little smaller than last year and the smallest since 1944 in relation to the prospective number of rough-age-consuming animal units. Pastures and ranges have been below average this summer and fall over large areas of the country, making it necessary to feed more hay than usual early in the season. While hay supplies appear generally adequate in the Midwest and in most of the Western States, they are short in the Southern States, where drought sharply reduced production this year.

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THE OUTLOOK FOR FRUITS AND TREE NUTS IN 1953

Statement by Ben H. Pubols, Agricultural Economic Statistician
at the 30th Annual Agricultural Outlook Conference, Washington, D. C.
October 22, 1952

Demand for fruit in 1953 is expected to continue strong. With average weather, the deciduous crop in 1953 is likely to be moderately larger than in 1952, and production of tree nuts may be a little larger. Prospective production of citrus fruits is larger in 1952-53 than it was in 1951-52, and there may be a further increase in 1953-54. Assuming strong demand and larger production, grower prices for fresh citrus and deciduous fruits in 1953 may not be greatly different from prices in 1952. However, higher prices might prevail in 1953 for both kinds of fruit for processing.

The prospect for slightly higher prices for deciduous fruit for processing rests heavily upon the expectation that carry-over stocks of canned fruits at the start of the 1953-54 canning season will be moderately smaller than a year earlier and upon the fact that prices in 1952 for some fruits for processing were down sharply from 1951. In the case of citrus, stocks of canned juices are smaller now in the fall of 1952 than a year ago and stocks of frozen juices also may be no larger at the start of the 1952-53 season than a year earlier. This should lead to stronger demand for citrus for processing and slightly higher prices in 1952-53.

Reduced exports of fruit are in prospect for 1953. This assumes smaller exports to Western European countries, which for many years have been important outlets for fresh deciduous and dried fruits. These countries are not likely to relax import restrictions in 1953, partly because dollar exchange continues limited for the purchase of United States fruit. No export-payment programs are contemplated in 1952-53 for apples, pears, and dried prunes, but one is in effect for 1952-53 pack raisins. Concerning fresh citrus fruits, exports are expected to continue large, going as usual mostly to Canada.

Continued large imports of bananas and canned pineapple and pineapple juice are anticipated in 1953. With higher prices for the smaller crop of apples in the United States in 1952, imports of apples from Canada probably will be considerably larger in 1952-53 than a year earlier. About the usual small quantities of other fruits are expected to be imported, arriving mostly when supplies of domestically-grown fruits are seasonally low. Prospects are for smaller total imports of tree nuts in 1952-53. Imports of Brazil nuts, most of which have already arrived, are considerably smaller.

The pack of dried fruits in 1953-54, probably will be somewhat smaller than this season, depending primarily upon the production of dried prunes and raisins. However, increased production of canned fruits seems likely. This prospect is based upon the assumption of reduced carry-over stocks of canned fruits at the start of the canning season in 1953 and a larger 1953 deciduous crop. Although a small increase in pack of canned citrus juices is expected in 1952-53, there may be no further increase in 1953-54.

Expansion in production of processed citrus juice over the next year or two is looked for in the form of frozen concentrate rather than hot-pack canned juice. Hence, with a further increase in pack of frozen juice in 1953, total production of fruit juices will be larger than in 1952. Only a small increase in pack of frozen deciduous fruits and berries in 1953 is in prospect.

With respect to the 1952 deciduous crop, total production was nearly one-tenth smaller than in 1951. As usual for this time of year, substantial quantities of apples, pears, grapes, and cranberries remain to be marketed. Grower prices for apples and cranberries are expected to be somewhat higher this fall than in this period of 1951. The course of apple prices after the first of the year will depend largely upon the quantity of apples in cold storage. Continued high prices can be expected if stocks on January 1, 1953 are as small as on January 1, 1952. With supplies of fresh grapes large this fall, prices probably will continue lower during late 1952 than a year earlier. Although some increase in prices for pears is expected this fall, prices probably will remain somewhat lower than the relatively high prices in the fall of 1951.

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* This represents the highlights of the 1953 Outlook issue of *
* "The Fruit Situation" for October 1952, *
* a processed publication issued by the *
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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

THE OUTLOOK FOR MEAT ANIMALS IN 1953

Statement by Harold F. Breimyer, Agricultural
Economic Statistician, at the 30th Annual Agricultural Outlook
Conference, Washington, D.C.

October 21, 1952

The outlook for meat animals for 1953 turns on the trends in cattle. The cattle industry is in the middle of a considerable cyclical expansion, the effects of which are showing up in 1952 and will continue prominent in 1953 and later years.

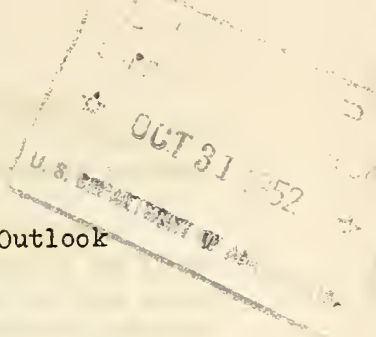
Cattle production on farms has been expanding since 1949. Until this summer all the additional cattle produced remained on farms as larger inventories, and slaughter was not increased. But slaughter has risen the last few months and is now exceeding that of a year ago. A further increase in slaughter is expected in 1953. Slaughter will probably be stepped up enough to push total meat supplies above this year; enough to bring another general reduction in prices of cattle; and enough to prevent any marked improvement in prices of hogs despite a somewhat smaller hog slaughter. This is the outlook, in capsule, as we appraise it.

Before considering details, let's turn back a few years for perspective. A feature of economic conditions since the war has been a stronger demand for meat than ever before. Moreover, the demand has increasingly turned from pork to beef, and especially has turned away from the fat cuts of pork. Numerous factors are causal: higher incomes; regional and occupational shifts of population; increased use of cold storage lockers and home freezers, in which more beef than pork is commonly stored; and others.

To the unprecedented demand for meat the meat animal industry has slowly ground out its responses. First, to be sure, the new demand was distrusted and brought forth a selling off of cattle herds in 1947, which provided temporarily large meat supplies. But since that year the pattern has been about as follows: Increased production of meat came slowly. It was particularly slow for beef. Quicker sources of more meat were hogs and poultry. These responded to the new demand, and pork and poultry helped to fill the gap caused by lagging supply of beef. The annual pig crop was stepped up from 84 million in 1948 to 102 million in 1951. Broiler and turkey production rocketed.

Moreover, to produce more hogs and poultry more feed grains and other concentrate feeds were needed. The last several years have seen an exceptionally big demand for grain and byproduct feeds, derived principally from the demand for meat.

But meanwhile, the slow pendulum in cattle swung back to the expansion side. Cattle numbers on farms were built up a little in 1949 and 1950, and a lot in 1951 when 6 million head were added. At first the expansion subtracted from current meat supplies. Now, in 1952, with cattle slaughter increasing, production of beef will be about 8 to 10 percent larger than last year.



Slaughter is nevertheless not slowing greatly the climb of numbers on farms. Numbers apparently are reaching for the 93 million mark this coming January, a gain of 5 million over last January.

How great will be the increase in slaughter in 1953? We think it will be sizable, yet not extremely large. We estimate 10 to 15 percent more cattle and calves slaughtered than this year. Our reasons for expecting the rise to be moderate are: (1) trends seem to be following past cattle cycles, in which several years were required for cattle slaughter to catch up with current production. Only a very widespread and severe drought would cause slaughter to be large enough in 1953 to stabilize numbers on farms so soon. (2) As yet there has been no really large slaughter of cows and of lighter steers and heifers, which usually signals an upsurge in total slaughter.

The statistics on cattle and beef are getting impressive. They show how much response has been made to the postwar demand for beef, and they indicate that beef will likely outrun pork in the meat supply the next few years.

An inventory of 93 million cattle and calves this coming January would exceed the previous cyclical high of 1945 by 8 million head or 10 percent. The production of beef forecast for next year would be the largest ever, exceeding even the 1947 output. Beef may constitute a larger percentage of total meat production next year than in any year since 1917. Augmented by increased beef, the total production of meat for 1953 bids to set a peacetime record, although it will not top the wartime output.

In relation to our growing population, meat supplies for next year will not appear so large, though consumption of beef per person in 1953 may be second only to 1947 among the last 35 years. Consumption of all meat per person is forecast at 144 pounds. This would be back to the 1948-50 level, surpassing this year by around 2 pounds and 1951 by around 6 pounds.

Increases in slaughter of cattle foreseen for next year will likely bring further reductions in cattle prices. Price declines this year have not been so great for high grade fed cattle as for cows and lower grade steers and heifers, which this fall have been as much as \$8.00 to \$10.00 per 100 pounds below last fall. If cattle slaughter increases moderately in 1953, price changes during the year also will probably be moderate. However, price declines will likely be more uniform by classes, with fed cattle perhaps going down as much as this past year but cows a great deal less.

We think returns from cattle feeding may be a little better this winter than last winter. This forecast is built on the sharply lower prices feeders are paying for feeder stock this fall than last.

In contrast with cattle, hogs will show a decrease in slaughter next year. Hog slaughter during the first 7 or 8 months will be down as a result of the 9 percent smaller pig drops of 1951. Slaughter during the last 4 or 5 months may be about the same as in those months of this year, since the number of spring pigs saved is not expected to change much from this year.

Mixed factors bear on the size of the spring pig crop. The hog-corn price ratio this fall is a little below average; this in itself would point to fewer spring pigs. But the bumper corn crop in the western Corn Belt is encouraging to hog production. Our judgment is that little change is likely in the number of spring pigs, with at most a small increase possible.

Prices for hogs have felt the increased competition from beef. Last year, the demand for the comparatively plentiful pork received extra support due to the scarcity of beef at ceiling prices. This year the situation has been reversed. Prices of hogs this fall have been averaging no higher than last fall despite a one-tenth smaller slaughter. Prices this winter are expected to be higher than the depressed prices of last winter, and thereafter in 1953 may average about the same as this year. The hog-corn price ratio will likely be a little closer to its longtime average level than it has been in 1952, promising nearly average returns from production.

Sheep and lamb slaughter in 1952 has been so large as to indicate that the two-year 1950-51 rise in production is virtually ended. Sharply reduced prices for both lambs and wool from their early 1951 highs, and drought in Texas during much of 1952, are doubtless contributing causes. Prices of lambs will be supported in 1953 by the small change expected in slaughter, and prices of wool by the Government support program. The price outlook is probably about as favorable for sheep and lambs as for any other kind of livestock.

This represents the highlights of the 1953 Outlook issue of The Livestock and Meat Situation for September-October 1952, a processed publication by the Bureau of Agricultural Economics.



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THE OUTLOOK FOR OILSEEDS, FATS, AND OILS IN 1952-53

Statement by S. Gershben, Agricultural Economic Statistician,
at the 30th Annual Agricultural Outlook Conference, Washington
D. C., October 23, 1952.

The 1952 soybean crop is slightly larger than the year before but prices to farmers probably will average at least as high as last year's season average price of \$2.70 per bushel. Last year, the value of the meal in a bushel of soybeans was substantially greater than the value of the oil. With a good demand for meal likely in 1952-53, the same relationship probably will hold. Recent developments in soybean processing and marketing have had an upward effect on soybean prices. These developments include increasing crushing capacity and hence more intense competition for beans among crushers, higher oil yields resulting from increases in solvent extraction, and the fact that farmers are extending their marketings over a longer period of time. As a result, soybean prices were unusually high relative to the value of oil and meal during the 1951-52 crop year. Present prospects indicate that this situation will continue during the 1952-53 crop year. The price support level for 1953 crop soybeans is \$2.56 per bushel (farm basis), the same as for the 1952 crop.

Exports of soybeans in 1951-52 totaled about 17 million bushels, compared with 28 million bushels in the preceding year. About a third of the total was shipped to Japan in the year just ended, compared with almost half of the larger total in 1950-51. The decline in exports to Japan is believed to reflect an accumulation of stocks at relatively high prices in the preceding year. As long as hostilities continue in Korea, it appears that Japan will need to import nearly as many soybeans from the United States as in 1950-51. Total exports of U. S. soybeans in 1952-53 are expected to be somewhat larger than the 17 million exported in 1951-52 but smaller than the 28 million exported 2 years ago.

Prices to farmers for 1952 crop cottonseed are being supported by loans, direct purchases and a cottonseed products purchase program at levels equivalent to a farm price of \$62.40 per ton of cottonseed basis grade (100). Prices received by producers for 1952 crop cottonseed are likely to average about the same as last year's season average price of \$69.30 per ton. Drought, high-level livestock production, and a smaller output of cottonseed has created a strong demand for cottonseed meal and hulls for use as feed. This demand is expected to be sustained throughout most of the crop year. Present market prices for meal and hulls are well above a year earlier and about offset lower prices for oil and linters. The 1952 cottonseed crop is estimated at 5,858 thousand tons, 7 percent less than a year earlier.

Prices received by farmers for 1952 crop flaxseed will be somewhat above last year's season average price of \$3.71 per bushel. The price is being supported at \$3.77 per bushel (farm basis), 80 percent of parity. Although production of flaxseed is down somewhat from last year, total supplies of flaxseed and linseed oil are large. Demand for meal is strong but in contrast to soybeans, only about one-third of the value obtained from a bushel of flaxseed comes from the meal. A national average support price of \$3.79 per bushel (farm basis) has been announced for 1953-crop flaxseed.

The 1952 peanut crop is estimated at 1.2 billion pounds, 27 percent less than last year and the smallest since 1939. Acreage was cut sharply because of smaller acreage allotments and repeal of legislation permitting farmers to pick and thresh peanuts for crushing from acreage in excess of allotments. Also, yields were less than the year before. Supplies will be sufficient to meet domestic requirements for edible use but practically no peanuts will be exported and only those which do not meet standards for other uses will be crushed. Prices received by farmers are expected to average well above the 10.4 cents received for the 1951 crop. Last year's average included lower prices received for peanuts sold for crushing as well as quota peanuts sold at support prices or above. The national average support price for 1952 crop peanuts is 11.97 cents per pound.

Supplies of fats and oils in prospect for 1952-53 are nearly as big as last season's peak. Domestic disappearance will be at least as great as in the past year but exports may decline somewhat from last year's record level. In contrast to the sharp decline which occurred during the first half of 1951-52, prices are expected to remain steady or increase slightly as the season progresses. The general level of fats and oil prices in October 1952 was about 25 percent less than the year before.

CCC owns about one-third of the carry-over of old crop cottonseed oil and, as of October 1, CCC had accepted tender of 62 million pounds of new crop cottonseed oil. If CCC takes possession of substantial additional quantities of new crop cottonseed oil, prices of edible fats would tend to strengthen later in the season, as the CCC resale price for cottonseed oil for domestic use is nearly 2 cents above the current market level.

Total production of fats and oils in the year beginning October 1, 1952 is estimated at 11.8 billion pounds, 3 percent less than last year's high output. The entire decline is expected to be in food fats.

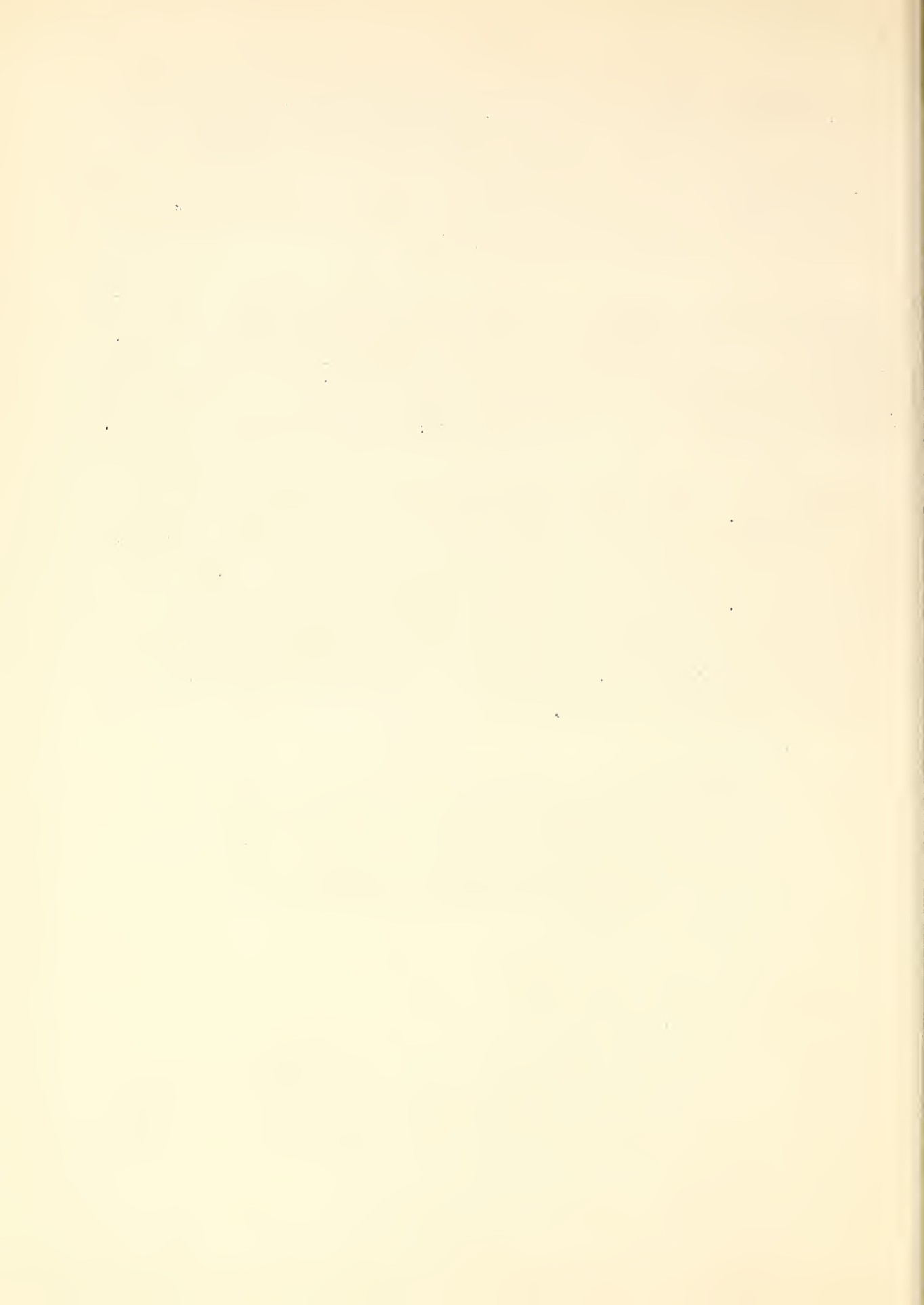
Prospective supplies of food fats are nearly as large as last year's record level, with a large carry-over of lard and vegetable oils almost offsetting a moderate drop in production. Total output of edible fats and oils is estimated at nearly 8.8 billion pounds, 5 percent less than last year's peak. Most of the decline will be in lard but production of edible vegetable oils also will be smaller. The 1952 pig, cottonseed and peanut crops are estimated to be down, 9, 7, and 27 percent, respectively. Butter production also may be slightly smaller.

Supplies of most nonfood fats in 1952-53 will be adequate to meet all requirements. With a rise in cattle slaughter more than offsetting a decline in hog slaughter, output of inedible tallow and grease will be as large as last year when about 2.2 billion pounds were produced. This would permit high domestic use and exports. Supplies of flaxseed are large enough to enable crushers to crush as much as last year. In addition, beginning stocks of linseed oil are equal to about a year's use. Supplies of tung oil will continue relatively small, however, and the demand for castor oil for stockpiling will remain large.

Domestic disappearance of fats and oils in the year that ended last month is estimated at 66 to 67 pounds (fat content) per person. With a continued high level of consumer income and industrial activity expected, disappearance in 1952-53 may be equal to or somewhat greater than a year ago. Butter consumption has trended downward in the postwar period, while use of margarine has increased steadily. These trends are expected to continue, and nearly as much margarine as butter will be consumed in 1952-53.

Exports of fats and oils from the United States in 1951-52 were at a record or near record level and are expected to be nearly as large in the coming year. About 164 million pounds of lard were shipped to the United Kingdom during the first 8 months of the past crop year. However, no lard has been exported to the United Kingdom since May 1952 and very little is likely to be shipped to that country in 1952-53. A good export demand for U. S. edible oils is expected from areas other than the United Kingdom as supplies from sources other than the United States are no larger than in the preceding year. Exports of inedible tallow and greases were at a peak in the past year and probably will continue near this level in 1952-53 as substantial surpluses will be available for export at relatively low prices.

* This is a summary of the 1953 Outlook issue *
* of "The Fats and Oils Situation" for October *
* 1952, a processed publication issued by the *
* Bureau of Agricultural Economics *



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THE OUTLOOK FOR TOBACCO FOR 1953

Statement presented by Arthur G. Conover, at the 30th
Annual Agricultural Outlook Conference, Washington,
D. C., October 23, 1952

The steady growth in the domestic demand for the cigarette types of tobacco grown in the United States is one of the most important factors in the tobacco situation. This year, consumers in this country are spending approximately 5.1 billion dollars for tobacco products compared with 4.7 in 1951. Next year, they will spend even more. It should be remembered that the demand for tobacco results in substantial tax revenues for the Federal Government and 41 State Governments. In the recent fiscal year, around 2 out of every 5 dollars spent for tobacco products went for taxes. Since tobacco is one of our main export commodities, the export demand also is an important feature of the tobacco situation. In the recent 5 years, about one-fourth of the production has been exported as leaf. Export demand may be firmer in 1953 than in 1952, but the total value of exports of unmanufactured tobacco in each of these years will be somewhat below the 1951 total of 326 million dollars. Also, nearly 57 million dollars' worth of manufactured tobacco products--largely cigarettes--were exported last year and the 1952 value figure probably will exceed this.

The major kinds of tobacco grown in the United States are used in five principal product categories, and several kinds of leaf have an export market of considerable importance. In order to avoid inaccurate generalizations, let us consider separately the 1953 prospects for each of the various kinds of tobacco--considering both the domestic outlets and exports.

Flue-cured tobacco production has accounted for 60 percent of total United States production in the last 5 years. It is the leading cigarette tobacco and usually composes around four-fifths of the total leaf exports from the United States. Cigarette output in this country in 1953 is expected to go above the 430 billion estimated for 1952. This year's output is nearly 3 percent higher than last year's and almost 10 percent above that of 1950. About nine-tenths of total output is consumed in the United States. With prospects that employment and consumer income will continue high and that there will be more smokers, domestic consumption of cigarettes is expected to continue to gain. The other one-tenth of total cigarette output goes largely to overseas forces and as exports to foreign countries, and these on a combined basis, are expected to remain fairly stable in the year ahead. This year's crop of flue-cured is estimated as being second in size only to last year's record crop. The crop plus the July 1 carry-over, which was up 11 percent from a year earlier, provides a total supply of 3,120 million pounds--about 2 1/2 times the probable disappearance in 1952-53. This is the highest this ratio has been in 5 years. Domestic use of flue-cured is likely to increase to a new high in 1952-53 but not enough to offset the decline in exports that is expected. The 1952-53 exports to the United Kingdom (about one-half of the total flue-cured exports in 1951-52) will be considerably smaller because of that country's effort to conserve dollar exchange. Germany and perhaps some other countries may take moderately more tobacco in 1952-53 than in 1951-52. The continuation of marketing quotas for the next 3 years has been voted by growers. The 1953 flue-cured acreage

allotment is almost one-eighth smaller than this year's. The carry-over next July 1 will be larger than on July 1, 1952, and the 1953-54 total supply probably will be a little higher than the 1952-53 level.

The 1952 marketings of flue-cured are well along. For the season through October 17, prices averaged almost 3 percent less than last season. The Government support level is almost the same as in 1951.

The Government price supports applicable to the 1953 crops of tobacco seem likely to be a little lower than for this year's crops because parity prices may be down a little. While the parity index may edge upward in 1953, present estimates indicate this will not be enough to offset the effects of the small reduction in adjusted base prices, which will be used to calculate the parities.

Burley tobacco production has accounted for 27 percent of total United States production in the last 5 years. Most of it goes into cigarettes, but smoking and chewing products and exports also account for substantial shares of total disappearance. The 1952 output of smoking, estimated at 97 million pounds, is about 4 percent below last year's and 10 percent less than in 1950. There may be a leveling off from this decline in 1953. The 1952 output of chewing tobacco, estimated at about 85 1/2 million pounds, is a little less than in 1951 and seems likely to continue to decline gradually next year. Exports of Burley in 1952-53 may increase moderately above those in each of the recent 2 years, when they dropped roughly one-fourth below the average of 1948-49 and 1949-50. This year's Burley crop is estimated at not far below the record crop of 1951. The October 1, 1952, carry-over is estimated as being 8 percent larger and the 1952-53 total supply at about 1,675 million pounds probably will be 5 percent above the 1951-52 level. The 1953 marketing quota for Burley is soon to be announced, and growers will vote on whether or not to continue marketing quotas in effect. The 1952 crop auctions are expected to begin as usual around December 1. The price support level is 49.5 cents per pound--slightly lower than last season.

Fire-cured tobacco finds its major domestic outlet in snuff, and exports in the past 5 years have accounted for from 45 to 55 percent of total disappearance. The 1952 output of snuff is estimated at 39 million pounds--1 or 2 percent lower than in 1951. The 1953 output and consumption of snuff should be quite close to this year's. Exports of fire-cured tobacco dropped sharply in the past year but little change from this level appears to be in prospect in 1952-53. The total supply of fire-cured tobacco for 1952-53 is estimated as being 4 percent lower than the 1951-52 level. The 1952 crop is down mainly due to smaller acreage in Kentucky, especially of type 23. The price support for the 1952 fire-cured crop (computed at 75 percent of the Burley support level) is 37.1 cents per pound--slightly less than last season.

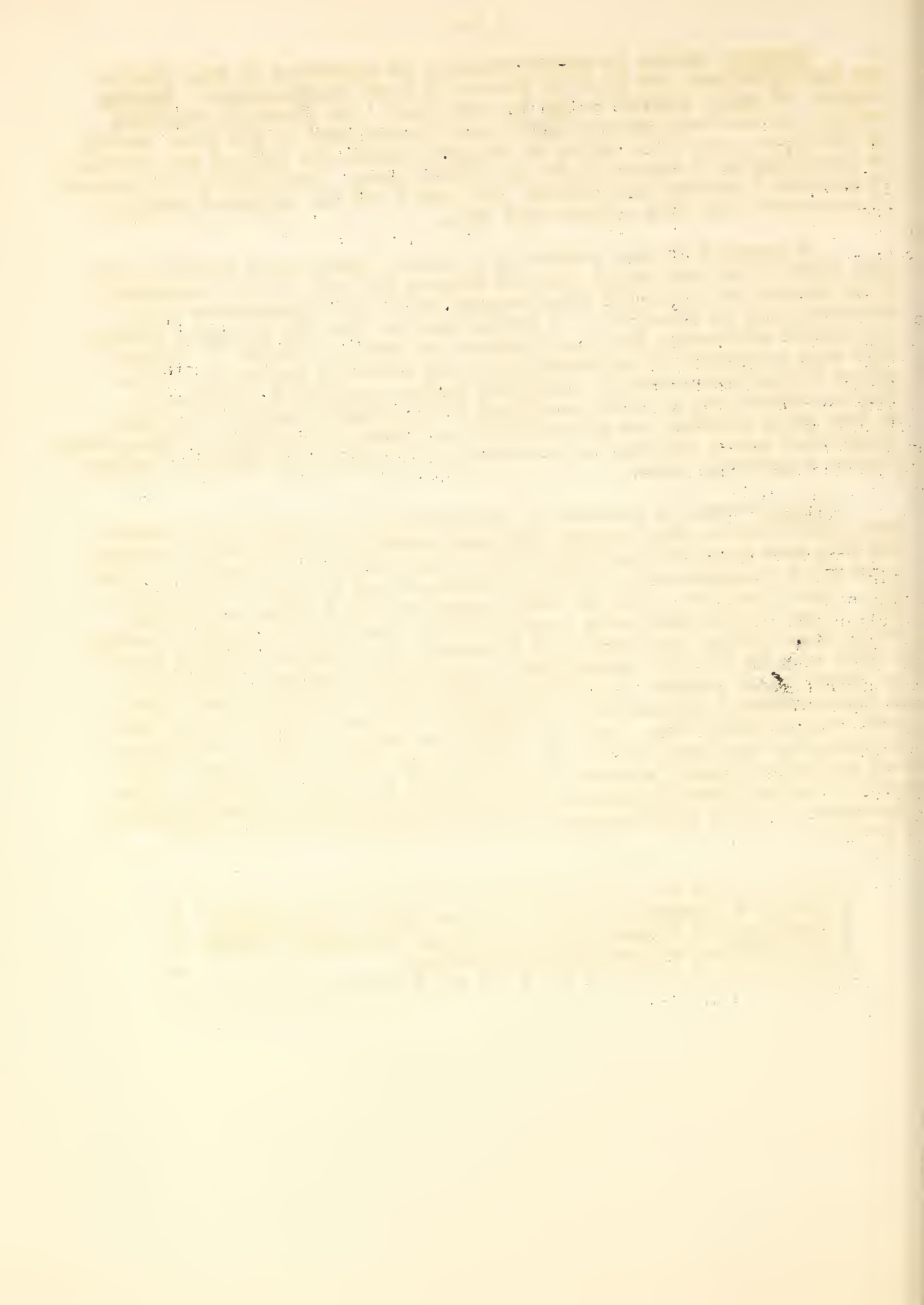
Dark air-cured tobacco is used principally in chewing tobacco but significant quantities are exported as Black Fat and leaf. Black Fat exports have been maintained fairly well but One Sucker and Green River leaf declined during most of 1951-52. Little change is expected in 1952-53. The 1952-53 total supply of dark air-cured tobacco is estimated as being 2 percent lower than the 1951-52 level--mostly because of the reduction in this year's crop. The price support for the 1952 dark air-cured crop (computed at 66 2/3 percent of the Burley support level) is 33.0 cents per pound--slightly below last season's.

Maryland tobacco is used principally in cigarettes in this country and exports account for 20 to 25 percent of total disappearance. Exports dropped off quite sharply during the past year. The principal importing country, Switzerland, usually takes about three-fifths of the total exports of this type. The total supply of Maryland tobacco for 1952-53 is estimated at approximately 3 percent above the 1951-52 level. This year's crop appears to be about 6 percent smaller than last year's but the estimated increase in carry-over more than offsets that drop.

As provided by law, growers of Maryland, Pennsylvania Seedleaf, and the cigar filler and binder kinds of tobacco will not receive Government price support on their 1952 crops because quotas were disapproved in the referenda held in late 1951. An announcement of the 1953 marketing quotas and acreage allotments for these tobaccos was made on October 1. Growers will vote on October 29 as to whether or not marketing quotas will be in effect on next year's crops. Marketing quotas only become operative if they are favored by at least two-thirds of the growers voting. According to law, price supports are not available on a crop if growers have disapproved a marketing quota, but they are mandatory at 90 percent of parity if growers approve a marketing quota.

Cigar tobacco is composed of several different types that go mainly into cigars made in this country, but some grades are used in scrap chewing and also some cigar tobacco (mainly binder and wrapper) is exported. Estimated cigar consumption in 1952 is 6 billion--about 4 percent more than in 1951. This 6 billion level has been reached in only 3 other years since 1930. Some further gain seems likely in 1953. The 1952-53 supply of continental cigar filler is estimated at 6 percent lower than the 1951-52 level. A sharp drop in the 1952 production of Pennsylvania Seedleaf accounts for the reduction in supply. The 1952-53 supply of the combined binder types is approximately 6 percent below the 1951-52 level--due mostly to the estimated smaller carry-over. For the shade-grown wrapper types, the increase in carry-over more than offsets the decrease in this year's production so that the 1952-53 supply exceeds that of 1951-52 by about 2 percent. Cigar wrapper exports (about two-thirds to Germany), accounting for approximately one-fourth of total disappearance, have been quite stable in the past 3 years.

* This is a summary of the 1953 Outlook issue of The Tobacco *
* Situation for October 1952, a processed publication issued *
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UNITED STATES DEPARTMENT OF AGRICULTURE
Office of Foreign Agricultural Relations
Washington 25, D. C.

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October 20, 1952 A R Y

X THE OUTLOOK FOR U.S. AGRICULTURAL EXPORTS X 1/

JAN 3 1953

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By John J. Haggerty, Director
Office of Foreign Agricultural Relations

I remember the first Outlook Conference I ever attended; it was back about 1934 or maybe 1935 and C. V. Wells, who was then an up-and-coming young man in the Bureau of Agricultural Economics, stood up on this platform and said something to the effect that if someone would tell him what the production planning goals for the coming year would be, he would find it a relatively simple job to say what, then, would be the outlook for American agricultural production. We are in about that same kind of situation these days as regards the outlook for American agricultural exports. If someone could tell us what will be the policy decisions of governments both here and around the world during the next 12 months, we would then find it a relatively simple task to predict the outlook for American agricultural exports. There was a time when the problems of estimating the export outlook for agricultural products consisted primarily of an analysis of the supply and requirements factors. Trade, in those days, consisted pretty much of being able to offer a superior product at an attractive price in a competitive market, and contriving somehow to take a corresponding value of what the other fellow had to sell. Nowadays, however, while these economic factors of physical supply, demand and competition are perhaps no less important than previously, they are overshadowed and obscured by an ever-increasing web of government intervention and government controls in all phases of economic life, including production controls, import and export controls, price controls, exchange controls, and so on. The world's free market for most basic agricultural commodities has, for all practical purposes, disappeared, and we are deep into a period in which the once relatively simple business of trading more and more involves highly complex negotiational situations on a government-to-government basis.

The process of estimating the outlook for United States agricultural products requires, therefore, not only the customary appraisal of the demand and supply factors but a certain amount of crystal-ball gazing as to the probable policy decisions of our government and of other governments around the world.

One of the major economic factors to be considered is what has come to be called the dollar problem, meaning the scarcity of dollars available for the purchase of American products. Aside from or in addition to the absolute shortage of dollars in foreign hands, there is the additional factor of the competition which our cotton, tobacco, fruits and other products must meet in relation to the heavy industrial and military equipment

1/ Presented at Annual Agricultural Outlook Conference, Washington, D. C.

which the same countries are under some compulsion to purchase in the American market, often times with no small amount of prodding from the American Government because of the over-riding need to build up the defenses of the free world against the threat of communist aggression. In addition, the dollar problem undoubtedly conceals a very considerable amount of protectionism and empire preference. In other words, the alleged scarcity of dollars may, in some instances, be no more than a camouflage for some of the types of nationalism, protectionism, and imperialism with which we have been familiar for a good many years. While we are considering these problems, it might not be amiss to call attention to the basic conflicts between some of our own domestic agricultural policies on the one hand, and our policy of promoting foreign trade, on the other. There is serious question at present whether certain manifestations of protectionist tendencies right here at home may not be working against the long-run interests of American agriculture by making more difficult the export sale of American tobacco, cotton, fruit, lard, wheat, rice, soybeans and other export commodities.

Within this setting, the two major factors which must be taken into consideration in determining the export prospect for 1952-53, therefore, are:

(1) That the dollar problem will continue for many countries which are our principal markets, and

(2) That there will be more ample agricultural supplies than previously in importing countries and in competing exporting countries.

In view of these conditions, United States agricultural exports are likely to decline in the coming year. The best present information indicates they may drop as much as 20 percent below the near-record of \$4 billion in 1951-52. This decline will be reflected mainly by smaller exports of wheat, grain sorghums, cotton, lard and tobacco.

Our cotton exports in 1952-53 probably will be within 1 million bales of the 5.5-million-bale total of 1951-52 which was a good year by postwar standards. The United States will continue as a principal world source of food- and feedgrains into the 1953-54 marketing season. Export sales of wheat will be relatively high but not as high as last year's near-record level. The demand for rice is more than we can supply. Fats and oils exports might again exceed 1 million short tons. Tobacco sold abroad might run about 10 percent less than in 1951-52. Exports of nearly all dairy products probably will be smaller. The outlook also is less favorable for fruits, and dry bean exports will be considerably smaller.

Unlike the period following World War I when agricultural exports dropped in value from \$4 billion to \$2 billion within 2 years after that conflict, and to \$600 million in the Depression, shipments of our farm products abroad have fluctuated in the range of \$3 to \$4 billion since World War II. In contrast to the price slump after World War I, export prices of most products have been well maintained in recent years.

Many countries needing our products had few earned dollars to pay for them when World War II ended, and in 1946 and 1947 were able to pay for less than half the value of our goods and services through their sales to us.

The dollars they did earn were supplemented by gold shipments which depleted their exchange reserves, and by United States foreign aid. Since then they have been buying our products more and more with earned dollars, as their economies have been strengthened with help of American economic aid and as heightened economic activity in the United States has enabled them to sell more goods to this country. Whereas in 1948-49 two-thirds of United States agricultural exports were bought abroad with aid dollars, only one-fifth were purchased with aid funds in 1951. Early in 1952, however, a new dollar crisis developed which has been felt most severely by Britain, France and Brazil, and which has caused a tightening of their restrictions on dollar imports. This deterioration in the dollar position of foreign countries was caused largely by reduction of earnings from their exports to the United States following collapse of the post-Korean raw material boom, and by expansion of United States exports.

A slight improvement in the dollar situation of most foreign countries can be expected in 1952-53. These countries probably will have as many dollars as last year. Many of those dollars will be earned through trading with the United States, supplemented by economic and military aid, including expenditures abroad by our armed forces, and United States private investment abroad. However, part of the available dollars will be used to rebuild dollar reserves which in some countries--the United Kingdom, for instance--have been badly depleted.

The British will strive more and more to obtain such items as fresh and processed fruits and vegetables, oilseeds, tobacco, cereals, and feed-grains from European and Commonwealth sources. They will have to purchase wheat from the United States and Canada but Argentina will be back in the world wheat-exporting business in early 1953 according to present crop prospects. How much of Canada's bumper wheat crop the British take will depend on a solution of transportation difficulties in getting the grain to the seaboard. Britain probably will take less of our cotton since its stocks are reported high.

There may be a drop in our agricultural exports to Continental Europe in 1952-53 compared with 1951-52. The continental output of wheat, fruit, and other important commodities is larger; so, also, are supplies of non-dollar wheat, cotton, and fats and oils. European grain stocks are favorable. Any economic recession in this area would decrease consumption, while tighter monetary policies would discourage stock-building.

Agricultural exports to Eastern Europe will remain relatively small with the exception of shipments of foodstuffs, particularly grain to Yugoslavia. In the Far East, many countries have enough dollars from sales of their own commodities to pay for necessities not available in Asia. Japan, our largest market in the Orient, is expected to earn \$700 million to \$800 million from our military payments to buy, among other things, larger imports of such foodstuffs as wheat, barley and rice for its rising population. Philippine dollar earnings will permit continued purchase of wheat, and Indonesia will continue, as a dollar earner, to buy rice. Australia, normally an important world source of wheat, is not expected to fulfill its International Wheat Agreement export quota, increasing the demand for United States and Canadian wheat. India, however, has a

continuing dollar and food-deficit problem, but its needs in 1952-53 will be smaller than in 1951 when 3 million tons of United States grains were shipped to it mostly under emergency loan legislation.

Agricultural exports to Canada, an important purchaser of our cotton, fruits and vegetables, should be about the same--or even somewhat higher--in 1952-53 than in 1951-52.

Our exports to Latin America of wheat, rice, lard, dairy products, meats and fruits have been rising in recent years as populations have increased and general economic activity has continued high. During the current year, however, balance-of-payment difficulties have caused some Latin American countries to limit non-essential imports, and to enter into barter or other trade agreements with Japan and European countries.

Our agricultural exports to the Middle East and Africa are relatively small, and will likely continue at that level in 1952-53.

Here, as the Office of Foreign Agricultural Relations sees it, is the specific outlook for our major agricultural export commodities:

COTTON

Prospects for our cotton exports are not quite as good as they have been. Last year we exported about 5.5 million bales, or roughly 47 percent of the world cotton export trade of about 11.8 million bales. That was because of special conditions. Foreign mills started the year with abnormally small stocks of American cotton, a consequence of our restricting exports the year before. Then, in competing countries owners of cotton held out for higher prices, and our prices were competitively attractive. Our exports also were stimulated by Export-Import Bank loans to cotton-importing countries and MSA aid, which, while diminishing considerably in total amount, could still be applied directly to purchase of cotton. Textile manufacturing in much of the world was still at boom levels in the early months of last season, although it declined seriously in the second half of the marketing year.

This season has started with the cotton textile industries outside the United States showing some indications of improvement and with prospects that total foreign consumption and total international trade may pull up close to the average of 1951-52. However, competing producing countries in the non-communist world have for sale about 1.5 million bales carried over from last year's crop, plus this year's crop which is almost as large as last year's and about on a level with their prewar peak. Moreover, their prices are now more competitive with ours, and most of the other exporting countries will accept "soft" currencies in payment.

Although the total numbers of dollars available to cotton-importing countries may be as large as last year, most of our foreign customers still wish to conserve their dollars, and some of our best customers are definitely facing dollar trouble. Then, too, dollar loans made last year for cotton purchases will have to be paid this year.

Even so, our cotton exports in 1952-53 should come within 1 million bales of equaling our 1951-52 total.

GRAINS

The United States in 1952-53 will continue its postwar role as a principal source of food- and feedgrains in world trade. A good domestic harvest will enable us to extend this situation into 1953-54. Our exports of wheat and rice will be relatively high in 1952-53 although lower than the near-record total of last year, particularly in the case of wheat. Exports of feedgrains, particularly corn, probably will continue near the relatively high levels of recent years, but the drain on domestic supplies of feed will be offset somewhat by expected imports of feed wheat, oats, and barley from Canada.

Major factors dominating the wheat export situation are a record world crop in 1952, and a concentration of supplies available for export or carry-over in North America. The record world output will result in a drop in total world trade in wheat (including wheat flour in terms of wheat) during 1952-53, with increased exports from other areas being more than offset by a decline in United States exports to about 325 million bushels compared with 473 million bushels in 1951-52,

Important to the longer-term wheat export outlook is the meeting of the International Wheat Council scheduled for Washington in mid-January to resume negotiations on renewal of the International Wheat Agreement which expires July 31, 1953. The outcome of these negotiations will have a bearing on our future foreign markets for wheat. Should the Agreement not be renewed, we shall be faced with some rather unpleasant alternatives if we are to maintain a competitive position in many of the wheat and flour markets of the world, whenever our domestic price support program holds domestic prices above those prevailing elsewhere.

United States rice exports in 1952-53 are expected to be limited by available supplies. Even with record production, however, the total will be down by about 10 percent from last year's record of 17,136,000 bags (milled equivalent) because of the reduction in carry-over. There is prospect for continued active demand in the Far East--particularly Japan and Korea--as result of our defense expenditures there. This situation is reflected in the recent resumption of rice export allocations and control in the United States. As with wheat, however, the longer-term outlook for United States rice exports to the Far East will depend upon the continued availability of dollar exchange in importing countries and upon our competitive position with traditional sources of supply.

Feedgrain exports--corn, oats, barley and sorghums--may approach about 4 million long tons in 1952-53, compared with 4.6 million the year before, with shipments made up principally of corn with lesser amounts of sorghums and barley. What happens in Argentina will affect our feedgrain exports, particularly in the last half of 1953. Formerly the world's principal corn-supplier, Argentina's importance as a grain exporter has diminished greatly since World War II, and its grain exports in 1951-52 sank to the lowest level since the turn of the century. A reversal of this trend may now be expected, however.

TOBACCO

The outlook for exports of United States unmanufactured tobacco during 1952-53 is not as favorable as during the past years. Exports are expected to be about 465 million pounds (export weight) which would be about 10 percent less than the 517 million pounds valued at \$320 million in 1951-52 and slightly less than the 477 million pounds valued at \$250 million in 1950-51. The prospective decrease is attributed primarily to proposed smaller takings by the United Kingdom. Last year the British took 220 million pounds, a third of which went into a stockpile. As a result of the smaller British import program stocks will be withdrawn for manufacture this year. An increase in our exports to Germany is expected partially to offset this decrease, however. Little change is expected in our exports to other countries.

The foremost problem facing buyers of United States tobacco continues to be the lack of sufficient dollar exchange. While the total dollar position of Western Europe, our biggest foreign market, is expected to continue to improve due to our rearmament expenditures, there are few indications that our tobacco sales there will rise. Several of these countries have agreements providing that only 50 percent of the tobacco they use will come from the United States.

FATS AND OILS

A continued high level of United States exports of fats and oils and oilseeds is probable in 1952-53, and should remain above 1 million short tons including the oil content of oilseeds. Exports may decline somewhat compared with the past year when they nearly reached the record of 1950-51. Exports of inedible tallow are particularly high, and volume-wise, tallow probably will be the leading fat-and-oil item exported in 1952-53, followed by lard, soybean oil and soybeans. On an over-all basis, nearly one-fifth of our fats and oils is expected to be sold abroad. The slight decline in fats and oils exports last year and in prospect for this year is explained largely by high world production.

FRUITS AND VEGETABLES

The fruit export prospect for 1952-53 is somewhat less favorable than in 1951-52 because of smaller supplies in the United States, increased foreign competition, and tightened controls on dollar purchases in importing countries. Exports of fresh apples, fresh pears and dried prunes will be substantially smaller. However, the trade in raisins and citrus fruits and products may be maintained if domestic supplies are as large as current prospects indicate.

In 1951-52 the United States commercial apple crop totaled 110 million bushels, about average, and conditions justified an export payment program. Exports totaled 3.6 million boxes, compared with a prewar average of 10 million. In 1952-53, with a United States apple crop of 96 million bushels, and a higher opening market, the export payment program was not renewed this season. Since much of the exports of fruits, except those going to Canada, Cuba, Mexico and Venezuela, are financed through barter, "switch" or "bonus

dollar" arrangements, the cost of which is partly offset by the subsidy program, appreciable apple exports seem unlikely. Then, also, production of apples and pears in Western Europe has increased sharply, and this fruit is available for soft currency. As in the case of apples, there is no 1952-53 export payment program for pears.

The small 1952-53 United States prune crop is not likely to provide supplies much larger than will be needed for domestic use and exports to Canada and a few other export outlets not usually included in the export payment program. In the case of raisins, it is likely that the pack this year will be somewhat larger than last year, and it is probable that exports will be a large, if not larger, than last year. Much will depend on the situation with respect to the trading arrangements in traditional markets with respect to both United States and foreign competing suppliers. The Department has recently announced a renewal of the export program for raisins.

Our citrus export supplies should meet all requirements. The upward trend of exports of citrus and citrus products to Canada in recent years is expected to continue in 1952-53. If trading arrangements in Western Europe can be worked out, our citrus exports to that area will continue about the same as last season.

United States dry bean exports in 1952-53 probably will be considerably less than the record of 3.7 million bags in 1951-52. The Korean war, drought in exporting countries of Eastern Europe, including Yugoslavia, and a poor crop in France may boost our exports above our past average, however, possibly to 2 million bags or more.

DAIRY PRODUCTS

The outlook is for smaller United States exports of dairy products in 1952-53. The outlook for dairy products exports is clouded by increasing trade barriers connected with the dollar shortage and desire among certain importing countries to encourage domestic production. A further slowing down in the rate of increase in world milk production is expected to be reflected in a decline in some countries exporting dairy products.

United States exports of whole milk products are expected to continue to decline, not only because of trade barriers but also because of increasing competition from soft-currency competitors.

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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS

THE OUTLOOK FOR VEGETABLES IN 1953

Statement by Herbert W. Mumford, Jr., Agricultural Economic Statistician
at the 30th Annual Agricultural Outlook Conference, Washington, D. C.
October 22, 1952

U.S. DEPARTMENT OF AGRICULTURE
OCT 31 1952

With all the signs pointing to a continued high level of employment and disposable incomes, the effective demand for food is expected to remain high also. Consumers will want, and will be able to pay for, a wide variety of fresh, frozen, and canned vegetables. Farmers who remember the relatively high prices received for most vegetables in the last year or two will generally maintain or increase their acreages in 1953. Given normal weather, the result should be a larger and more evenly distributed supply of vegetables than was available in 1952. If the supplies are only slightly larger, prices will be a little lower than in 1952. With this qualification as to volume, 1953 is expected to be a year of opportunity for vegetable growers and a year of more adequate supplies for consumers.

Potatoes

Acreage and production of early potatoes is likely to be expanded in 1953 compared with 1952. Incentives will be the high prices received in the spring of 1952 and the possibility of a none-too-plentiful supply of old-crop or storage potatoes remaining by mid-spring 1953. Acreage in some intermediate and late States also may be expanded in view of recent high prices.

If the total potato crop next year turns out to be much larger than this year, prices of course would be much lower, since potato prices generally change (inversely) much more radically than does production.

Sweetpotatoes

Significant but probably not excessive increases in acreage and production of sweetpotatoes are expected next year in comparison with this year. The increases will be primarily in those States which produce a large part of the crop for sale, rather than for home use. Those factors which have limited the acreage of sweetpotatoes in the past 2 years are expected to be present in considerable part again next year. Three of such factors are the continued tight labor situation, the attractiveness of alternative crops, particularly cotton, and the lessened economic necessity for producing sweetpotatoes as a home food crop. The expected level of demand for sweetpotatoes in 1953 probably will provide a favorable outlet, though at somewhat lower prices, for as much of an increase in production of this crop as we are likely to get.

Fresh Market Truck Crops

In 1953, farmers who grow truck crops for the fresh market probably will try to produce generally ample supplies to meet the continued strong demand expected. This was their intention also in 1952, as early intentions reports and plantings indicated; however, adverse weather affected acreages for harvest particularly in the first or winter-quarter and cut yields per acre for many crops in each quarter of this year.

During the winter season just ahead, there probably will again be ample supplies of fresh vegetables available for importation from Mexico and Cuba, the actual movement of which will depend largely upon the relative level of prices for these crops in this country. Canada, our principal export market for fresh vegetables, may take a somewhat larger quantity from us in 1953 than in 1952, since Canada is now in a favorable dollar-exchange position and consumer demand in Canada appears to be increasing.

Because of the wide geographical and seasonal dispersion of truck crop production, with some truck crops being harvested somewhere in the United States practically the whole year around, it is not possible to make sweeping forecasts that will hold for all crops in all areas. To fit the general outlook to specific crops in particular areas for each quarter of the year goes far beyond what we will be able to accomplish here.

We will, however, give brief consideration here to a few of the more important individual fresh market truck crops.

Cabbage

The extremely high prices received for cabbage this past December and January are not apt to be repeated this winter. We have a slightly larger crop of early fall Danish cabbage this year and it is likely that a higher percentage will be stored through next January 1. Also, planting intentions indicate a much larger acreage will be available for fresh harvest next January, February and March than we had last season. For later in 1953, demand is expected to provide a satisfactory outlet for production at least as large as in 1952.

Onions

Although the late summer crop of onions this year is slightly smaller than that of last year, we might have somewhat larger stocks next January 1, if growers generally decide to hold, remembering the high prices received in early 1952 and recognizing the generally good keeping quality of the onion crop in some areas. On the other hand, carlot shipments of onions from mid-September to mid-October this year have been considerably heavier than in the same period of time last year. Another thing to watch is the 56 percent increase in early spring acreage indicated by growers' intentions to plant in Texas. Most of the indicated expansion is in non-irrigated plantings.

Next summer, farmers probably will plant a somewhat larger acreage of onions than was planted this year. If a larger onion crop is produced, lower prices will result.

Tomatoes

In view of the relatively high prices received by farmers for fresh tomatoes this past spring, summer, and early fall, it seems likely that farmers will expand acreage for harvest in 1953. Any substantial increase in production is likely to bring substantially lower prices.

Processing Crops

The 1953 outlook for truck crops for commercial processing is one of generally sustained demand at about 1952 levels of prices and tonnage. Some adjustments are likely, of course, to compensate for tonnage in 1952 which appears may have fallen short of, or exceeded, the original intentions of the processors. Reasoning from such a basis, it appears that the 1953 processors generally may seek a larger tonnage than obtained in 1952 for beets, tomatoes, and perhaps also green peas and cabbage. On the other hand, they may seek a slightly smaller tonnage of sweet corn.

Consumer demand for commercially canned and frozen vegetables is expected to continue strong through 1953. Current supplies available for consumption are believed to be adequate to meet consumer demand with no substantial increase from present levels in frozen vegetable prices, little if any rise in prices of most canned vegetables, and with slight to moderate increases in price for canned tomato products and canned beets. The expectation of larger fresh market supplies and possible further gains in frozen vegetables consumption have been considered in arriving at this conclusion.

Dry Edible Beans and Dry Field Peas

Domestic demand for dry edible beans in 1953 is expected to be at least as strong as in 1952, in spite of the higher level of prices which are resulting from the smaller crop produced this year than last and the lower level of carry-over stocks indicated by the recent stocks report. At the present time, there appears to be a possibility that exports of dry beans in 1953 may approach the 1952 level, because of prospective crop shortages in countries which are not usually importers of United States beans, similar to the situations which developed in 1952.

None of the major classes of dry beans appear to be in a surplus position with the possible exception of baby limas. Total disappearance of dry beans in the 1952-53 marketing year is expected to further reduce stocks. In view of the higher prices farmers are getting for the 1952 bean crop, some increase in acreage planted is likely next year.

No substantial pick-up in either domestic or foreign demand for dry peas is now foreseen for 1953. However this year's small crop and the low carry-over stocks are being reflected in considerably higher prices received by farmers for dry peas than they have received in any of the past three years. With these higher prices in mind, farmers are apt to expand dry peas acreage in 1953.

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* This represents the highlights of the 1953 Outlook issue of *
* "The Vegetable Situation" for September 1952, *
* a processed publication issued by the *
* Bureau of Agricultural Economics *
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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics

JAN 22 1953

U. S. DEPARTMENT OF AGRICULTURE

POPULATION TRENDS

Address by Helen R. White, Bureau of Agricultural Economics at the 30th Annual Agricultural Outlook Conference, Washington, D. C., October 22, 1952.

The size, distribution, and composition of the population of the United States are continuously changing. Each day the population is increased through births and immigration. Although these gains are partly offset by deaths and emigration, in the last year the net result was an average increase of approximately 7,000 persons a day.

The rate of population growth in the United States has not been constant. Between 1790 and 1860 the population increased by more than 30 percent each decade. After 1860, the rate of growth declined; from 1930 to 1940, the depression decade, the population increased by only 7 percent. The possibility that our population would reach a peak and then gradually decline appeared likely. Fertility rates had declined almost uninterruptedly for more than a century. Immigration, which had made substantial contributions to the growth of population before World War I, was restricted through quotas and regulations relating to visas. Because of increases in the proportion of the population in the older age groups, a rise in the crude death rate seemed likely. The possible effects of a declining population on the economic, social and international situation of the United States was a source of considerable apprehension. Certain western European countries, which were threatened with or had actually experienced declines in population, developed positive population policies, including family allowances and other measures designed to stimulate the growth of population.

In retrospect, the apprehension expressed during the 1930's and early 1940's concerning the imminence of a decline in the population of the United States does not seem to have been entirely warranted. The pattern of the long-time downward trend in the birth rate was broken by small but rather consistent increases from 1936 to 1942. About 10 months after Pearl Harbor, the birth rate reached a decided peak and then receded slightly, only to rise to higher levels in the postwar period. Both mortality and net immigration have been more favorable to growth of population than was expected. As can be seen in the chart entitled "Growth of U. S. Population," during the decade ending in April 1950, the total population of the United States, including armed forces overseas, rose from 132 to 151 millions, an increase of more than 19 million persons. According to the medium projections of current trends in population, in 1960 the total population may number about 171 millions.

Past and prospective increases in the size of the total population have many economic and social implications, as more people must be fed, clothed, housed, and otherwise integrated into our social and economic systems. For detailed planning, however, information as to the distribution and characteristics of these people is required. For extension workers, in particular, information on the distribution of these people between urban and rural, and farm and nonfarm, areas is required.

Since 1916, the over-all trend in the number of persons living on farms (shown on the second chart) has been generally downward, despite the relatively high fertility and favorable mortality of this segment of the population. During the depression of the 1930's, a marked but temporary increase occurred. This increase was followed by a gradual loss during the latter half of the decade, then by a rapid loss as farm people responded to the World War II demand for manpower in industry and the armed forces.

If the average annual rate of decline that prevailed between 1916 and 1951 continues, in 1960 the farm population will include about 21 million persons, approximately 3 million fewer than in April 1950. Because of the large excess of births over deaths among farm people, these projections imply a relatively large net migration from farms to nonfarm areas. Thus, many young people now living on farms will likely become part of the nonfarm population at some time in the future; some undoubtedly have hopes or definite plans for this. It is important that these young people be prepared for rural-nonfarm or urban living. It might also be noted that educational programs which offer some training along these lines may be of more value and interest to potential migrants than a program focused entirely on the farm home and business and on the rural community.

The importance of programs reflecting the most modern advances of our civilization is increasing in other ways. Improved communication, educational facilities, and so on, have diminished many of the differences between the urban and the rural-farm way of life, even when the comparison is restricted to persons both living and working in cities and to those both living and working on rural farms. In addition, improvements in transportation, war and post-war demands for manpower, housing shortages in cities, and other factors have increased the proportion of farm residents employed in nonfarm jobs. Measures aimed at the dispersal of industry, ^{1/} both for reasons of national security and for greater balance in the economic strength of the various geographic regions of the United States, may augment this trend in the future.

The growth of rural-suburban population is another aspect of the "urbanization" of the rural population. Between April 1940 and April 1950, the rural population of metropolitan counties increased by 41 percent, whereas the rural

^{1/} See Council of Economic Advisors, "The Annual Economic Review: January 1952," The Economic Report of the President Transmitted to the Congress January 16, 1952, U.S. Government Printing Office, Washington, D.C., 1952, p. 111.

population of non-metropolitan counties decreased by only 2 percent. 2/ In fact, the rate of growth of the rural population of metropolitan counties exceeded that of the total urban population.

Changes in the composition and characteristics of the population of the United States have important effects on the present and future demand for many types of services and commodities. The alterations between April 1940 and April 1950 in the size of various age groups are shown on the chart entitled "Change in Population." The increase of about 6 millions, or 55 percent, in the number of children under 5 years of age and of almost 3 millions, or 24 percent, in the number of children 5 to 9 years of age means an expanding school enrollment that will tax the resources of many communities; growing membership of children's organizations such as Scouts; and an increased interest in programs, articles, bulletins, and other media relating to child care, child psychology, children's clothes, and P.T.A. work. The projections of the population by age and sex to 1960 published by the Bureau of the Census in 1950 3/ and the trends in fertility and mortality since these projections were prepared, indicate a continuation in the importance of these factors through the 1950's, although the birth rate and the number of children under 5 years of age will probably decline.

For at least a century and a half the population of the United States has been aging. Relatively large increases occurred between April 1940 and April 1950 in all groups of the population 25 years of age and older. Despite the increases in the number of young children, the median age rose from 29 years in 1940 to 30 years in 1950. The proportion of the population in the age group 65 and over rose from 6.8 to about 8.2 percent. During the 1950's the older age groups, particularly those 65 and over, will continue to grow appreciably.

Effects of the aging of the population are many. The terms "geriatrics" and "gerontology" are becoming part of our everyday language. The literature on income maintenance, employment and employability, maintenance of health, housing needs, and recreational needs of the aged is expanding rapidly but much work, including basic research, remains to be done in this field. Interest in and demand for products used chiefly by oldsters, such as canes, hearing aids, and certain sizes and types of clothing, will grow. The demand for information concerning hospitals and boarding homes for the aged and the number of applications for admission to these institutions will increase.

2/ Under the old urban-rural definition; see Bureau of the Census, U.S. Census of Population: 1950. Vol. 1, Number of Inhabitants, Chapter 1: U.S. Summary, U.S. Government Printing Office, Washington, D.C., 1952, p. XIV. The growth of the rural-suburban population is discussed by Henry D. Sheldon in, "Changes in the Rural Population, 1940 to 1950," Rural Sociology, Vol. 17, No. 2, June 1952, pp. 118-126.

3/ Bureau of the Census, Current Population Reports, Series P-25, No. 43. Revised projections of the total population, but not of age-sex groups, have since been published in Current Population Reports, Series P-25, No. 58.

Because of the changes in the urban-rural definition and in the definition of farm population, an exact analysis of the changes in the age composition of the rural-farm and rural-nonfarm populations cannot be made. ^{4/} There are, however, indications that the proportions of young children and of oldsters in the rural population have also increased, although the increases in these proportions have probably not been so marked as those for the urban population.

The "population pyramids" on the last chart show the relative distributions of the rural-farm and urban civilian populations in April 1951, by age, sex, and marital status. These pyramids were constructed from estimates of the percentage each age-sex-marital status group is of the total civilian population in the appropriate residence classifications. Distribution of the areas of the two pyramids varies according to the proportion of people in the specified age-sex-marital status groups. The more obvious differences shown by the chart are the greater proportion of persons 5 to 19 years of age in the rural-farm population and the greater proportion of persons 20 and more years of age -- particularly young adults -- in the urban population. The prospective labor supply within the rural-farm population of persons now in their 'teens who are potentially available for replacement of losses from the next older age group appears ample, if the work and way of life that are available to them on farms are sufficiently attractive. The greater proportion of children in the rural-farm population also means a greater dependency load on the more economically active sector of that population. For each child under 14 in the rural-farm population in 1951, one adult under 55 was married, widowed, or divorced; whereas in the urban population, there were approximately two such adults for each child.

The greater proportions of widowed and divorced persons among women than among men in both the urban and the rural-farm populations are also striking. This is attributable to several factors: Husbands are usually older than their wives and are therefore less likely to outlive them; men have higher mortality rates than women, age for age; and older men have higher remarriage rates than older women. The smaller proportions of widows in farm areas may be indicative of a tendency for women to leave the farm or to sell the farm land after they are widowed.

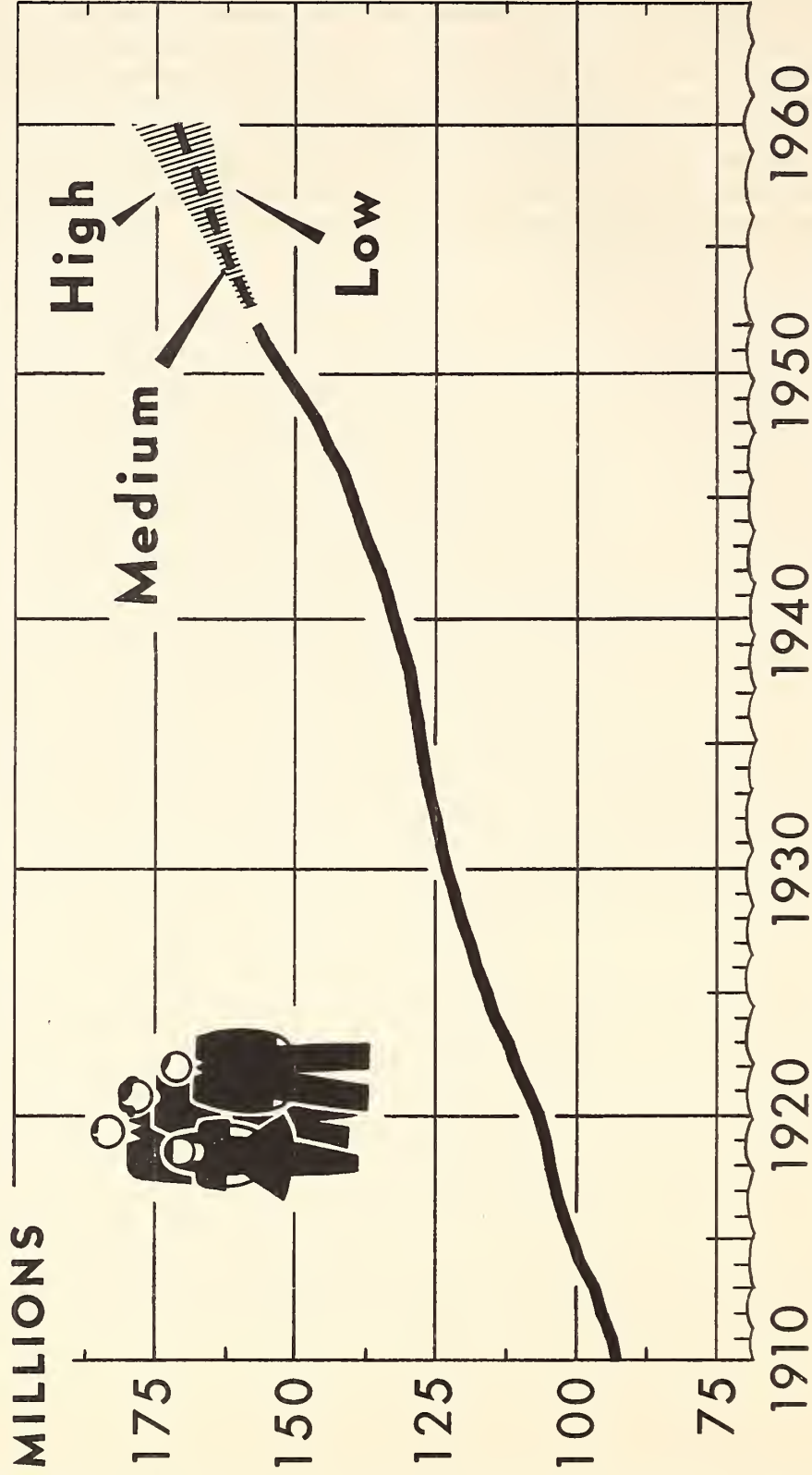
An item of rather widespread interest -- the relative numbers of males and of females -- is difficult to evaluate from this chart as the differences are rather small. Also, the chart does not give as direct a comparison of the relative numbers of men and women as it does of the relative sizes of the various age groups. Careful examination of the pyramids, however, shows a greater proportion of women than of men in the urban population in every age group beginning with 15 to 19 years. But men outnumber women in almost every age group of the rural-farm population. The trend toward a greater number of women than of men

^{4/} Data on the composition in 1950 of the urban and rural populations comparable to the 1940 Census data are being published by the Bureau of the Census in Volume II of the 1950 Census reports, but reports for all States are not yet available.

has also been a source of undeserved apprehension -- undeserved so far as the immediacy and magnitude of the problem are concerned. In a total population of more than 150 millions, the excess in the number of females over the number of males, including those in the armed forces stationed in the United States, was less than 2 millions in April 1951. (It might be noted that the figures on which the last chart is based pertain to the civilian population, which contains relatively fewer males than either the total population residing in the United States or the total population including armed forces overseas.) Furthermore, even in the urban population, there are more single men than single women in the age groups under 45 years and the scarcity of single women on rural farms is pronounced.

GROWTH OF U. S. POPULATION

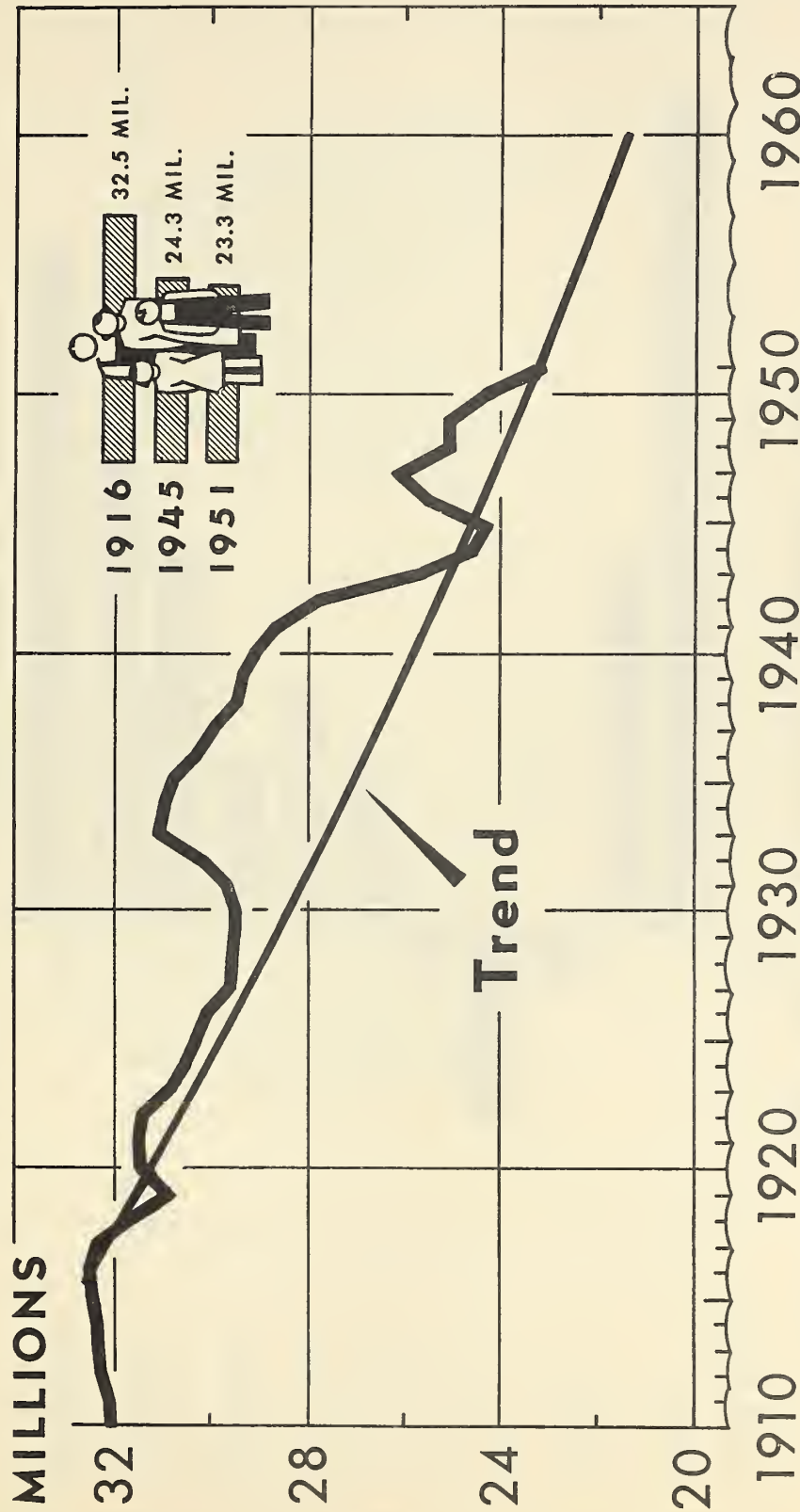
1910-52 and Projected 1952-60



1910 - 52 ESTIMATES AND 1952 - 60 PROJECTIONS FROM CENSUS BUREAU

DECLINE IN FARM POPULATION

1910-51 and Projected 1951-60

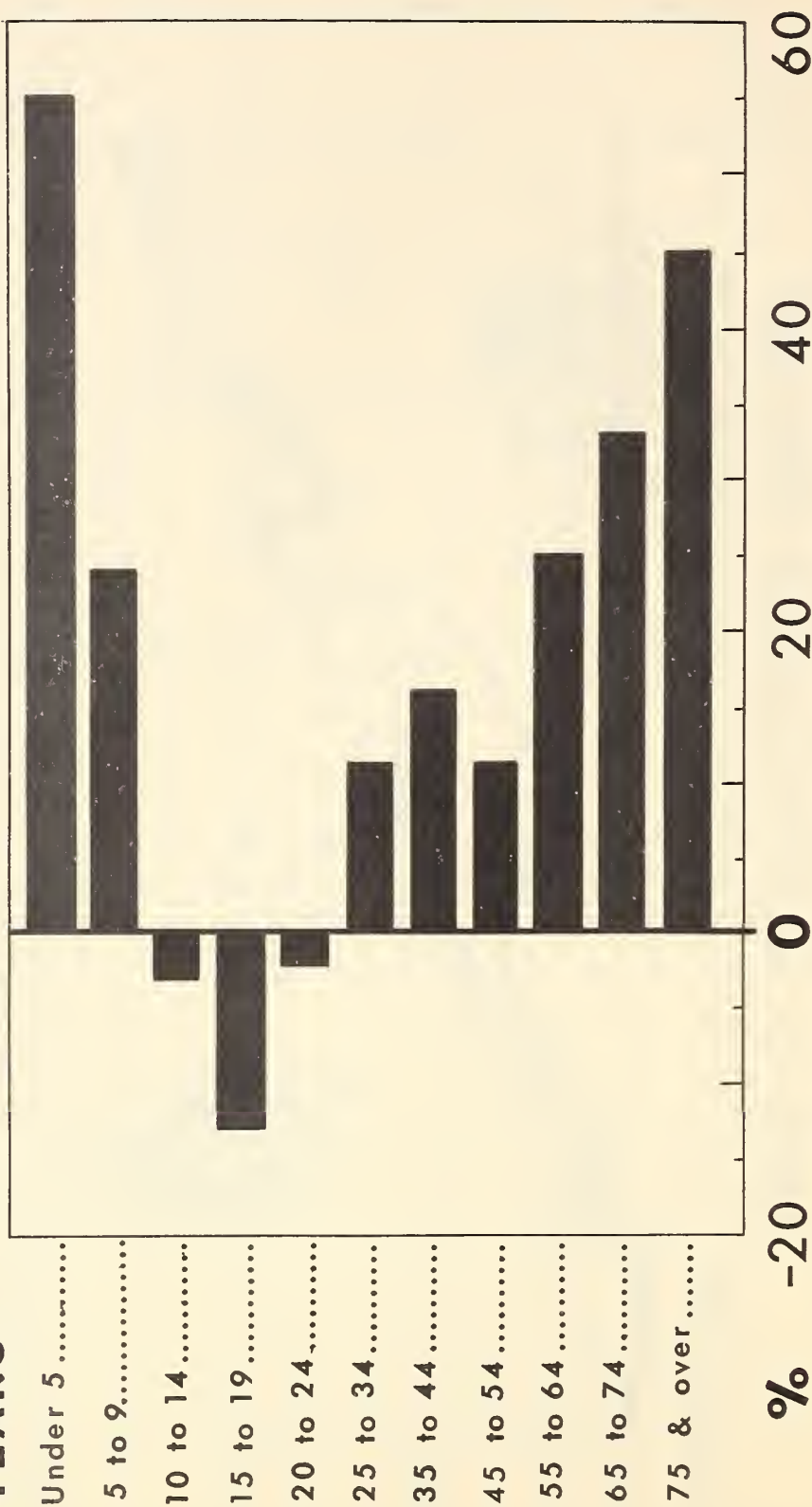


BASED ON COOPERATIVE ESTIMATES OF THE BUREAU OF AGRICULTURAL ECONOMICS
AND THE BUREAU OF THE CENSUS

CHANGE IN POPULATION

By Age Groups, 1940-50*

YEARS

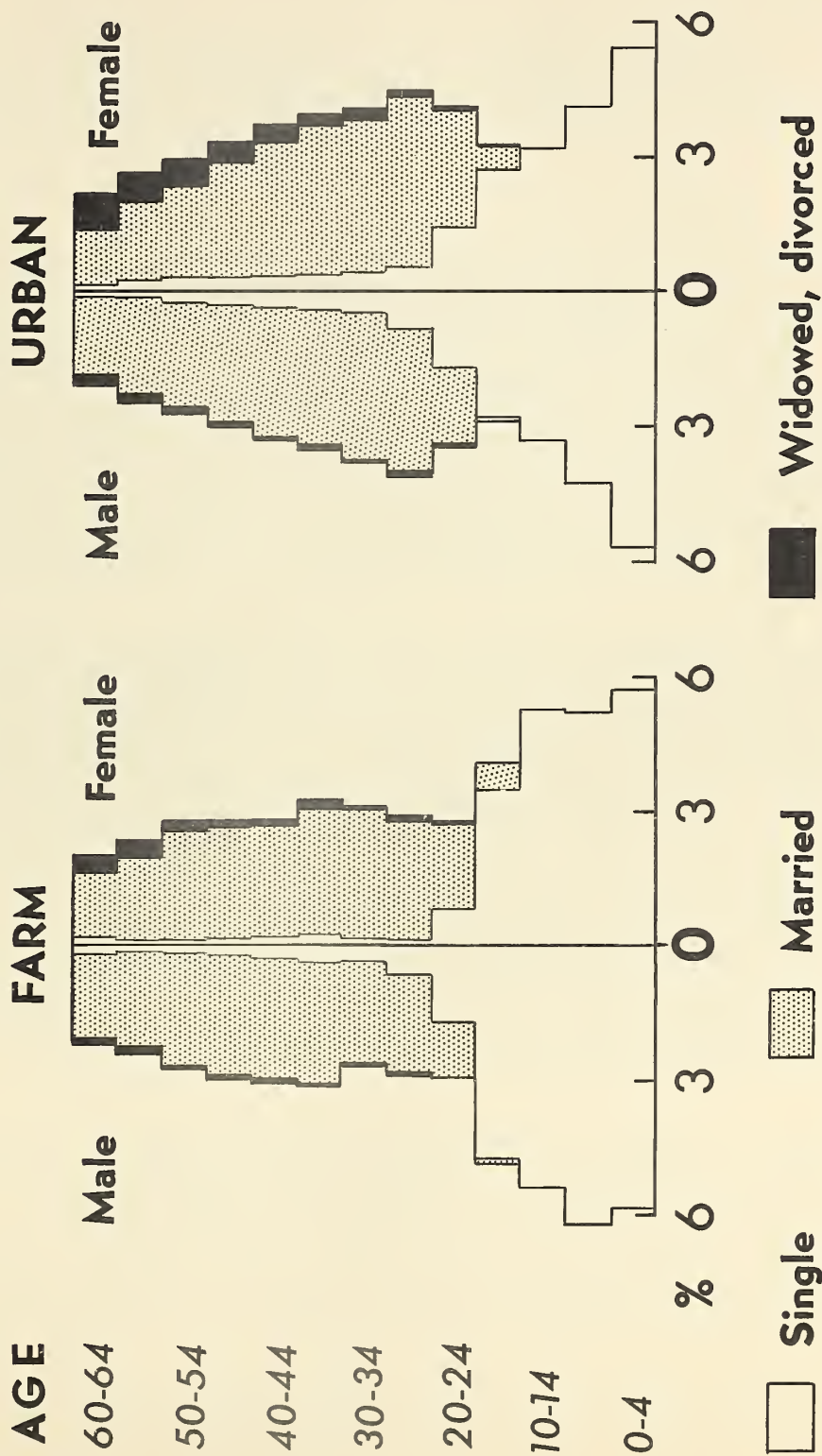


* PRELIMINARY

SOURCE: BUREAU OF THE CENSUS

AGE, SEX, MARITAL STATUS

1951



SOURCE: BUREAU OF THE CENSUS AND BAE

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UNITED STATES DEPARTMENT OF AGRICULTURE

PROSPECTS FOR CONSUMERS' DURABLE
GOODS

Reserve

JAN 22 1953

Talk by L. Jay Atkinson and Stuart J. Winston, Economists,
Office of Business Economics, U. S. Department of Commerce,
at the 30th Annual Agricultural Outlook Conference, Tuesday,
October 21, 1952, Washington, D. C.

Presented by: Stuart J. Winston

The current consumers' durable situation is one of strengthening demand. This increased demand comes at the end of a period during which the excess inventories built up last year have been generally worked off. This "working-off" process had been greatly accelerated during the past summer as a result of the work stoppage in steel. The general diminution of inventories has a very important and practical significance for consumers. It means that the favorable buyers' market in evidence this past year is undergoing some change. When manufacturers, distributors, and retailers, had substantial stocks, and consumer buying was slow, there were special sales and substantial price concessions for all principal types of home furnishings. Now that stocks are more in line with consumer buying, special "bargains" are more selected and limited.

In the course of this short talk we shall discuss changes in supply, demand, and costs, of consumers' durables and their effect upon price. The approach will be, not to discuss each major appliance in turn, since the factors that affect them are in many instances similar, but to discuss the general economic forces affecting the consumers' durables market, using one item or another as an illustration of the forces at work.

Let us begin by discussing supply. Generally speaking the nation's capacity to produce consumers' durables is ample, as a result of substantial plant expansion after the second World War. With the exception of a few new products, such as clothes dryers, output is now substantially below the levels prevailing a year and a half to two years ago. The unused capacity of the durable goods industries can be utilized, if there is an available supply of materials and production workers, both of which have been drawn upon by defense production.

Having established that the general capacity of our plant is ample, let us proceed to discuss supplies of raw materials. One group of consumer durables is not subject to serious supply difficulties or government production controls, factors which do of course go hand in hand. For such products as non-metallic furniture and floor coverings, both raw materials and finished products are generally in adequate supply. In some localities shortages of carpets have been reported in specified sizes and colors, but overall inventories are ample.

Most other items use the relatively scarce and controlled metals: steel, aluminum and copper. We said earlier that the large stocks of durables have been cut back, and that consumer buying has picked up. Is there a danger then of shortages, especially of finished products made from steel?

The flow of steel for the production of metallic durables, was, of course interrupted by the long work stoppage during the summer. Prospects for adequate supplies hinge upon a high rate of steel output in the coming months. With the capacity expansion program in the steel industry already beginning to show up in current production, steel output has recently established new highs. Steel allotments for the present quarter to nondefense users, such as consumer durables, generally represent about 80 percent of the third quarter allotments and those for the first quarter of 1953 are about 60 percent of the third quarter. However, during these periods of reduced allotments steel-consuming industries will receive deliveries on orders placed in the past and not filled because of the strike. It is believed that by April 1953 the allocation system will again be in balance, available supplies of steel currently matching steel allotments. The supply situation for other materials is generally good. Copper and aluminum allotments for the present quarter and the first of 1953, will be approximately the same as for the third quarter of this year. There are specific shortages and some limitations on the use of copper, aluminum and a few of the minor metals. However, these specific regulations are being slowly reduced. For instance, copper and aluminum can now be used for decorative purposes on consumer goods.

Major appliance stocks held by retailers, distributors and manufacturers appear to be at least as large in relation to current demand as is customary in these lines. On the whole, these inventories represent a substantial cushion to take care of supply interruptions following the steel strike. Consider the case of television, which is the most important of the household appliance in terms of sales volume, though not necessarily representative of the whole group, since the amount of steel used is relatively small as compared with the heavier appliances. There have been reports of shortages in particular types of TV sets, and certain sizes of picture tubes. Nevertheless, overall production of sets has kept pace with the increase in consumer buying. At the beginning of the fall season, inventories of television sets, allowing for the seasonal advance in the autumn months, were about equal to 3 months' retail sales. Stocks of refrigerators, farm and home freezers, and electric ranges were likewise adequate, with due allowance for seasonal influences.

The appliances just mentioned have, on the whole, an inventory reserve resulting from the past year of comparatively low sales. These products use the scarce metals which are subject to controls, but the real ceiling on production has, for many months past, been established not by the production authorities but by consumers. In brief, manufacturers have been allowed to produce more than they could sell. Let me repeat that this easy supply situation has been true historically. Now that inventories have been worked down to more customary levels when compared with consumption, and if demand should rise for a sustained period, production might once again be determined by materials allocation.

We have discussed two general supply situations so far. The first one was the case of products that are made from relatively plentiful and uncontrolled commodities. The second was the case of items made from controlled commodities that have in recent months not needed their full allocations. The third group is that of items using allocated materials, and for which allocations have had a restraining effect upon production.

The best example of this group is automobiles, in dollar volume the most important of all the consumer durables. Automobile production was curtailed during the past months as a result of the steel strike. Inventories of new car dealers at the end of July were at a postwar low. Although at the end of September they were still below the levels of the comparable month last year deliveries are rapidly increasing and stocks are being built up. It is anticipated that in the final quarter of 1952 auto production will reach the permissible NPA production ceiling of 1,150,000 cars, 38 percent above the estimated production during the last quarter. The National Production Authority has authorized 1 $\frac{1}{4}$ million cars to be produced in the first quarter of 1953, the highest allotment since the imposition of the Controlled Materials Plan. However, much ingenuity on the part of the auto companies will be required to stretch the allocated steel into the full quota of cars.

Let us summarize this supply discussion. It is generally true that despite materials allocation there are only spot shortages of consumer durables. You may not be able to get immediate delivery on every commodity, in every locality, if you specify color, size and brand. But consumers can generally obtain all the durables they are willing and able to buy.

This brings us from supply to demand. We opened the discussion by saying that we are in a transition period. Stocks were being worked down to a more normal relationship to sales, and sales were increasing. This resulted in fewer price concessions. An important offset, making consumer purchasing easier, has been the liberalization of installment credit. In some stores, large items such as refrigerators, television sets, and automatic washers are offered for sale with small down payments and an extended period for repayment of the balance. Since the lifting of the Federal Reserve's "Regulation W," installment credit has risen 12 percent to a total of almost \$15 billions at the end of August. This credit easing has a two-fold effect. Its immediate effect is the one already mentioned, namely that of making consumer purchasing easier. Easier purchasing results in increased demand. Thus liberalization of credit is one of the factors in increasing demand for consumer durables, and, as we shall see, in "firming-up" prices.

An increase in the availability of installment credit affects almost all consumer durables equally, in that almost all of them can be, and often are, bought on credit. There are, however, special factors that make the demand for some durables stronger than for others. The demand for new items such as farm and home freezers is increasing. There is a substantial pick-up in sales of television receivers resulting, at least in part, from some widening of the television audience as new stations, which have been licensed and are in the process of being built, come into operation. Those of you from the Denver area know that a new station there is already in operation. This widening of the television audience is an added fillip to sales, comparable to a special increase in volume that results from an area being newly electrified. TV has in common with all other appliances a "normal" replacement market resulting from mechanical failure and obsolescence.

The strengthening of demand for furniture has been more pronounced than for major appliances. Furniture sales have not shown the fluctuations registered by the household appliances. Although these items are much related in the basic demand factors that account for their sales, furniture did not register the sharp increase in sales that was noticeable for appliances after

the Korean invasion. Perhaps consumers analyzed the relative scarcity of materials in wartime, or perhaps more likely, they simply remembered that in the past war, wooden furniture was relatively more plentiful than metal appliances, and were more hasty in "stocking" the latter. At any rate furniture sales in 1950 and 1951 were not high enough to cause "mortgaging the future" to the extent of other household items, with the result that demand is relatively more strong now.

To summarize, we have seen that demand for consumer durables has increased somewhat in recent months. This has been due to a number of individual reasons and the general ones that consumer credit is now more readily available, and that the buying dip resulting from the overbuying after the Korean invasion now shows some signs of ending.

Let us turn to prices. A factor that cannot be overlooked is the influence of price ceilings. Automobiles being in a comparatively strong position are believed to be selling generally at ceiling. The Consumers' Price Index indicates that in June new car prices were at a peak. However, discounts may very well be available on the remaining units of the 1952 line. Many household durable products have shown some moderate decline in price within the past year, and are now selling below current ceiling prices. These ceilings take into account certain increases in costs of materials and labor. Thus, ceiling prices on many of the finished products we are discussing are not a restraining influence at present.

Some consumers' durables have been materially below ceilings, and in the opinion of the OPS show little promise of immediately rising to them, as a result of which their price ceilings have been suspended. Among the consumer durable product ceilings that have been suspended are: radios, television sets, television accessories, phonographs, recorders, soft surface floor coverings, upholstered dual-purpose sleeping equipment, metal beds and bunk beds. Suspended ceilings can be reimposed by the OPS. This is usually done when market prices seem likely to reach ceilings.

Another factor of obvious importance in determining price is cost. Costs have, in general, been rising. There have been increases in the price of steel although other raw materials have shown little change in recent months. Wage rates in manufacturing rose 3 percent during the first 8 months of this year. Substantial wage increases in a few industries such as steel and aluminum have occurred in recent months, and the extent to which other industries will be affected is not yet clear. Although the exact size of the wage increase in coal has not been finally decided, some rise seems a certainty. The influence of wage costs is one of great importance and one which it is worth your while to observe regularly. The Survey of Current Business, issued by the Office of Business Economics of the Department of Commerce, and the Demand and Price Situation issued by the Bureau of Agricultural Economics of the Department of Agriculture are good sources to use for following general trends.

To summarize our discussion of prices, to date, we have said that for some items such as autos ceilings are a factor, for many items ceilings are of little or no influence, prices being established in the market place at levels below ceiling. For all items, whether at or below ceiling, costs are an important factor.

Costs, however, are but one element of price. In relatively few instances do manufacturers and retailers determine costs as best they can and automatically add a dollar and cents or percentage mark-up. Even though ceiling prices may in some instances be determined on the basis of such a formula, we have seen that for a good many items the market will not allow a concern to charge the full ceiling price.

We have spoken of "market" prices. Market prices are the resultant of supply and demand forces. Aside from those cases for which ceiling is the determining factor, and with due consideration for the basic importance of cost, the general demand-supply outlook, the main theme of the Agricultural Outlook Conference, is the final factor determining price. For instance, the 1953 auto prices that have been announced show both increases and decreases. Now the direct costs affecting one manufacturer are essentially the same, and roughly parallel in movement, with the costs of another manufacturer. Differences in prices from year to year may reflect the degree of changes, such as increased horsepower or the introduction of automatic transmissions as standard equipment. Also important is the price of competitive brands and the relative sales ranking of the cars.

The let-up in consumer buying of durables which began in 1951 and extended into the first part of 1952 was responsible for the appreciable decline in the price of these products during the past year. The contrast with food demand and prices is very striking. Whereas food prices have reached a new high, home furnishings and apparel prices are lower than a year ago.

Prices of consumer durable goods generally come under the heading of "administered prices" and as such cannot be expected to fluctuate much one way or the other over the course of the next few months. To repeat our theme, the course of prices is determined by the trend of costs and the relative availability of supplies as compared with demand. We have substantial productive capacity, which should be able to meet all but the most unusual demands, such as are imposed by all-out war or scare consumer buying.

OUTPUT OF SELECTED CONSUMER DURABLE GOODS
(in thousands of units)

Product	1948	1949	1950	1951	1952
Consumer durables:					
Passenger cars.....	3,909	5,119	6,666	5,337	2,372 (7 mos.)
Refrigerators, electric.....	4,766	4,450	6,200	4,075	1,744 (6 mos.)
Freezers, home and farm.....	690	485	890	1,050	367 (6 mos.)
Washing machines.....	4,310	3,100	4,291	3,445	1,424 (6 mos.)
Ironers.....	477	307	409	280	86 (6 mos.)
Vacuum cleaners.....	3,361	2,890	3,529	2,700	1,397 (6 mos.)
Radios.....	16,517	11,409	14,590	12,775	4,061 (6 mos.)
Television sets.....	975	3,000	7,464	5,100	2,318 (6 mos.)
Ranges, electric.....	1,600	1,056	1,830	1,400	469 (6 mos.)
Domestic heating stoves.....	5,227	3,663	4,232	4,183	995 (6 mos.)
Kitchen sinks.....	2,711	2,712	2,870	2,603	983 (6 mos.)
Bath tubs.....	1,947	1,477	2,286	2,051	801 (6 mos.)
Lavatories.....	3,305	2,602	3,450	3,587	1,446 (6 mos.)
Water closets.....	3,409	3,413	3,803	4,028	1,468 (6 mos.)
Flat irons, electric.....	7,360	6,310	7,475	7,585	1,995 (6 mos.)
Toasters, automatic and non- automatic.....	4,850	4,200	4,525	3,725	590 (6 mos.)
Federal Reserve Index 1947-49 = 100 (adjusted for seasonal variation)					
Consumer durable goods:					
Total.....	99	110	153	123	98 (7 mos.)
Carpets and rugs.....	114	94	111	78	72 (7 mos.)
Furniture and bedding.....	105	92	117	107	106 (7 mos.)

Data represent production or factory shipments and were obtained from private and government agencies. In a few cases production figures in 1951 were derived by adjusting data on factory shipments by changes in factory inventories and then raising to industry totals.

SITUATION AND OUTLOOK FOR APPAREL AND HOUSEHOLD TEXTILES

★ OCT 31 1952 ★

Talk by Lelia Easson, Economist, Office of Distribution,
Department of Commerce, at the 30th Annual Agricultural
Outlook Conference, Washington, D. C., October 21, 1952

I have been asked to give a description of the outlook for apparel and household textiles. Emphasis in my remarks will be placed on apparel. To a large extent you may apply my comments on apparel to household textiles. I have endeavored to arrange my comments in an order that will be useful to you in further appraising the outlook from time to time.

Regarding the supply of apparel, as you know from observation there is an ample supply on the market and so far as can be seen there will continue to be under any conditions except all out war. On the raw materials side I will have little to say except to remind you of some of the over-all dominant facts about the supply of fibers of the different sorts.

About the supply of raw natural fibers, I will make only a few remarks as you have access to the story on wool and cotton through Department of Agriculture publications. U. S. cotton crops have approximately met domestic and export demand in 1951 and 1952 to date, and the carry-over of cotton in this country has not been large in recent years. I suggest you read the "Cotton Situation" and other USDA material, as well as study the efforts of the converters to finish cotton yard goods in a way to maintain and increase the demand. However, even if a very active market should be developed for cotton finished goods, there is no reason to be apprehensive about the supply of the raw material except from the usual natural hazards. Per capita consumption of cotton in this country for the past 3 years has been running around 31 pounds for all uses, of which possibly two-thirds is for apparel and household purposes.

With regard to wool, as you doubtless know we depend chiefly upon foreign sources. All of the carpet wool we consume is imported, and roughly two-thirds of apparel wool we consume currently is imported. It is obvious, therefore, that as a nation we are much less independent in the matter of wool than for cotton. During World War II, although we were fortunate in importing increased quantities of apparel wool, military requirements for wool were so great that civilian consumption was cut from slightly more than 2 pounds per person in 1939 and 1940 to less than 1 pound per person in 1942. Later, while women, children, and other stay-at-homes were reclothing themselves after the war and the military men were getting out of uniform and into civilian clothing, consumption ran as high as more than 4 pounds per person in 1946. Currently mill consumption of apparel wool for civilians is at a lower per capita rate than in 1939-1940. For purposes of this meeting it will be safe to generalize that the world supply of wool is such that ample supplies are assured for an indefinite time. However, it will be necessary to continue imports even in time of war, as our own supply would be too scanty to meet civilian needs at anywhere near our recent levels of consumption, or, for that matter, at anywhere near World War II levels.

The supply of rayon and acetate fibers is governed by conditions which are pretty much under the control of the producers on this continent and consequently we can assume an adequate supply at all times.

In addition to the natural fibers and the older synthetics, a whole new array of fibers is coming slowly into use--fibers that recommend themselves for a variety of qualities such as quickness in drying, extreme durability, and crease resistance. These present new problems in processing that take their place along with problems that still exist in milling and finishing rayons, acetates, cottons, and woollens.

The new fibers used in apparel have as yet a relatively small market resulting largely from the fact that they are not available in quantity. In 1951 they accounted for approximately 2 percent of total fiber consumption in the United States (lb. basis). Three percent is the official figure when fiber glass is included. Although nylon has been on the market in fair volume this year (and it is useful also to the military), total production capacity is currently not much over 100 million pounds. In other words, now that the basic research on a number of new fibers has been completed, the next phase in making them available to the public, in addition to getting the "bugs" out of finishing, is the plant and equipment for volume production. Under the conditions that have been prevailing in steel and other metals since the outbreak of hostilities in Korea, a threat existed to getting these on the market because of lack of industrial plant for producing the fibers. It takes about 2 years to get a synthetic plant into operation from the time it is started, but fortunately enough construction permits have been granted to expand our supply very greatly in the near future.

Because of nylon's importance for military use, under industrial expansion goals planned for execution before 1956, nylon fiber production capacity will be tripled compared with 1950 capacity. The fact that expansion goals have not been set for other man-made fibers does not mean, however, that capacity for Orlon, Daeron, Dynel, Agrilan, Vicara, etc., will not be expanded at least as rapidly over a several year period. It merely means that some of the facilitating conditions may not be present for fibers for which no expansion goals are determined in connection with the defense program. The conditions I refer to are the rapid tax write-off for the capital investment in plant and equipment and the earlier availability of structural steel for plants erected as part of the industrial expansion program for nylon production.

In speaking of the supply of fibers I have made occasional mention of production problems. One of the chief problems weaving mills are dealing with today is how to get a good blend. The editors of the trade journal magazine called "Rayon and Synthetic Textiles" say "no fiber is really yielding to another but actually all are joining together to produce better textiles." This is typical of the thinking in the textile industry. In recognition of this idea, the journal has just been renamed "Modern Textiles Magazine." Experimentation in blends is being carried out extensively and one of the consumer's problems today is that even if he or she purchases a garment that proves highly satisfactory, it may be impossible to identify the blend to make a repeat purchase. As you know, identification of the fiber content on labels is only partially carried out, except as to wool content. The consumer buyer is, therefore, constrained to put herself or himself completely in the hands of the producers (as in the case of all other fibers except wool) with the hope that each and every one of them continually improves his products. There isn't much the consumer can do about being

an intelligent buyer of blends at this time. He can still, of course, look to finish, color, style, and price to help him make up his mind. And, he can experiment rather vaguely with blends to the limit permitted by the labels and tags provided, a few of which are truly informative.

I am informed that Nylon, Dacron, Orlon, and some other new fibers can be carried on the woolen and worsted spindles and looms, as well as on cotton and rayon spindles and looms. Consequently, the use of new fibers does not necessitate new plants and equipment for yarn production and weaving. Rather, adjustments and adaptations are made.

The converters also may use existing plants but problems in dyeing and finishing are numerous.

At the garment making stage we need anticipate no supply difficulties in apparel and household textiles except in case of all-out war. In such a contingency, replacement of machinery for both knitted and woven garments might become a problem because of conversions of machinery production facilities to the manufacture of armaments. Such a limitation would, of course, be effective also in earlier stages of production.

I have just outlined a situation in which we probably won't have any bottlenecks in the production of apparel and household textiles provided we do not become engaged in a major war. You are also interested in factors in the outlook for the price of these goods other than the supply. The price of wearing apparel is the sum of the cost of many different types of economic activity or function at many different levels. I mention this in order to make clear that any facts that I draw specific attention to are far from the whole story.

As you all know from reading "Rural Family Living" as issued, and perhaps from other sources, the prices that families pay for apparel have been receding since about this time last year (1951) and we are approaching the annual level for 1948 when the annual index figure was 198. For this measure I am referring to the Consumers' Price Index for Moderate Income Families in Large Cities for which apparel is priced monthly in the retail market.

The down-turn in apparel prices since last fall has taken place under conditions that included dropping prices for cotton and wool; high inventories of yard goods in apparel manufacturers' hands and of finished apparel items and carpets in the hands of wholesalers and retailers; and demand that was lower than expected under current income conditions.

Inventories in retail and wholesale establishments are now at more or less normal levels in terms of stock-sales ratios while apparel manufacturers' inventories are in a healthier condition, particularly as regards cotton goods. In other words, certain of the conditions that contributed to falling clothing and household textile prices during the past year probably will not obtain during the coming year. This will tend to stabilize prices.

You will, of course, consult the usual outlook publications for a statement on the price of the main raw materials. With regard to processing costs, it is well to note that operations of weaving mills and converters have not been very profitable for some time. Recently Duplan Corporation and Textron Industries

omitted declaration of dividends, while quarterly dividends of Pobbins Mills, Celanese Corporation, and Dan River Mills were cut. Earnings of mills for the first 6 months of this year were poor. In second-quarter 1952, they were 52 percent below earnings of a like period in 1951 according to an article in Barrons dated August 18, 1951. Third-quarter 1952 earnings were a little better. Since spring 1951, mill margins--which represent the difference between the price of cotton and the average price for gray goods--have been substantially lower in relation to cotton prices than usual in post-war years. These relationships have worsened in 1952 so far as mill owners' interests are concerned. This situation leads us to expect a price rise in yard goods as soon as mill owners think the market will stand it. Judging by orders on the books, cotton goods manufacturers are in better position than the rayon or wool segments of the industry to raise prices.

According to a trade publication (Women's Wear Daily, Oct. 1, 1952) there is little expectation that the firming trend in the raw wool market early in October will affect fabric prices. "Mill executives don't feel it advisable to raise prices."

Leaving to each of you separately the crystal-ball gazing that will truly reveal the prices at which clothing items of specified description will be selling a year from now, and knowing that you will include in your thinking the mild inflationary pressures that have been described in the general sessions, we will look briefly at our recent consumption.

The Office of Business Economics, Department of Commerce, estimates that families spent a little more than 24 1/2 billion dollars in 1951 for clothing, accessories, jewelry, dry cleaning, laundry establishments, repair, and other expenses usually classed with this category of family expenditures. Estimates for the first half of the current year show that we may currently be spending a little more for apparel than last year. In 1949 and 1950 we spent less--about 23 billion dollars.

Using as an indicator the volume of retail trade in stores of different types, the increase in expenditures for apparel for the first 7 months of 1952 compared with a similar period in 1951, took place in all types of apparel stores except shoe stores.

However, it should be remembered that the volume of sales and of personal consumption expenditures are not in themselves very accurate indexes of how families are faring in the matter of clothing. By taking into consideration the increase in population and the change in price, we can improve the meaningfulness of the figures. Per capita expenditures for this category are as follows beginning with the year 1946:

1946.....	\$159
1947.....	164
1948.....	165
1949.....	154
1950.....	152
1951.....	160

It now looks as though 1952 per capita expenditures for clothing, accessories, etc., will not be very different from the 1951 figure.

If we can translate these figures into an estimate of physical goods purchased by taking price change into consideration, they mean that on the average, individual consumers acquired more in the years 1947 and 1948 in the way of quantity, quality, or variety of clothing items than in any year since then, and less in 1950. This is a reasonable situation in the light of the post-war buying in 1947-48 and the large portion of the family budget that went for durable goods in 1950.

With regard to variety and choice in apparel and household linens, you may have noticed a good many imported coats and suits on the market. A review of the import figures shows that we brought into this country a smaller quantity in 1951 than in 1950 of most of the main categories of manufactured and semi-manufactured textile items we usually import. This is true of cotton and wool floor coverings; straw hats; table damasks; wool wearing apparel; and silk, cotton, and linen yard goods. There was a slight increase, however, in the number of square yards of worsted, woolen, and mohair fabric; embroidered and lace cotton handkerchiefs; and linen towels, napkins, and bedclothing. Judging by the figures for the first 6 months of 1952, this year will total to even less unless the last 6 months represent more than half the unit business.

Before concluding, I will speak for a moment about seasonal trends in the purchase of apparel and housefurnishings. These trends are important to this group from two standpoints: Family budgeting and expenditure surveys. October and November, but particularly December, are big spending months in these lines. To give you an idea of how much more is spent by families in December, I have compared December 1951 sales in retail stores in certain kinds of business with the average monthly dollar volume of sales during the first 6 months of the year. These relationships are as follows:

Average monthly dollar volume of sales Jan.-June 1951 = 100	December 1951 Index
Furniture and housefurnishings...100	135
Household appliances and radios..100	149
Jewelry stores.....100	310
Men's clothing and furnishings...100	222
Women's apparel and accessories..100	152
Family and other apparel.....100	187
Shoes.....100	135

Of course, average figures of this sort cannot be taken as a guide by any individual family, but specialists working with family budgets will find that a little knowledge of seasonal patterns of spending is useful. With regard to surveys, data of this sort substantiate an argument for January surveys because of the recall factor.

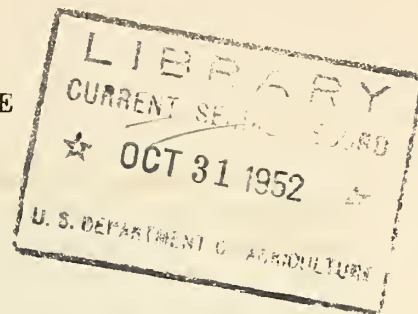
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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics



THE WORLD ECONOMIC OUTLOOK

Address by Robert C. Turner, Member Council of Economic Advisers,
at the 30th Annual Agricultural Outlook Conference, Washington 25,
D.C., Monday, October 20, 1952.

The year 1951 will be remembered by economists as the year when, first in one country of the free world, then in another, a war-stimulated boom suddenly leveled off. In general, the level of activity remained at unprecedented heights, and in certain cases it continued to rise, but at a much slower rate than before.

The year 1952, I think, may be remembered as the year when the world-wide lull in certain sectors of business activity completed its course, and once again the strength of public and private demand put pressure on the free-world economy. And, for reasons I shall give later, I dare say that the next decade will be remembered as an era of rising prices for primary products, that is, agricultural products and raw materials--at least in certain sections of the world.

As a matter of fact, the period from June 1950, when hostilities started in Korea, to about now, forms a complete inventory cycle. The wide swings in the rate of inventory accumulations by business and consumers occurred nearly everywhere, although the timing of this cycle varied somewhat among individual countries. In the United States, for example, the upswing phase lasted from mid-1950 through the second quarter of 1951; the downswing from the third quarter of 1951 through the second quarter of 1952; since then, signs of a less spectacular but a more sound upswing in many sectors of business activity have appeared.

The Communist attack on Korea, in June 1950, set off a wave of speculative buying the world over, in anticipation of shortages and high prices. Heavier buying was made possible by accumulated liquid savings and by liberal credit conditions generally prevailing throughout the world. It was intensified by government purchases of strategic materials for stockpiling and by rising defense expenditures. Throughout the world, this increased demand resulted in inflationary price rises.

The prices of primary products, which are the most volatile of all prices, rose most dramatically. The price of Australian wool, for example, nearly tripled between June 1950 and March 1951; that of Malayan rubber increased three and a half times; the price of tin more than doubled. With rising prices and a rising volume of sales, those countries which are the large producers of food and raw materials enjoyed an upsurge of exports and, therefore, of income. These countries are, in large part, the less economically developed countries of Asia, Africa, and Latin America. These high incomes soon led to increased purchases of consumers' goods. They also enabled governments to press forward their programs for economic development. In each case this meant an expansion of imports into these countries. More consumers' goods and capital goods were purchased from the industrialized countries of the world.

Meanwhile, the prices of manufactured goods--both consumers' and producers'--rose, but to a smaller degree than those of primary products. The industrialized countries of Western Europe found that the prices of things they had to buy had gone up more than the prices of the things they had to sell. Since these countries are highly dependent on imports for food and the raw materials, their international payments position sooner or later deteriorated. At the same time, the rise in the cost of materials gave a further impetus to the inflationary forces which were already in existence, caused by expanded defense needs and by the swollen demand of domestic and foreign consumers.

We had a similar experience in this country. We had to import more and pay higher prices for many materials. Our commodity export surplus did decline to nearly zero in the last half of 1950, but, because our reserve position is incomparably strong, we didn't have to worry about balance of payments problems. Moreover, since imports are a small percent of output, the impact on our domestic price structure of the soaring prices of imported materials was not as severe as it was abroad. By March 1951, where wholesale prices in the United States had risen only 15 percent, in England they had risen about 20 percent; in France and Belgium, about 30 percent.

In brief, this was the pattern of events throughout the free world in the upswing phase of the inventory cycle during the 9 to 12 months following the start of hostilities. Although the timing of inflationary price rises and balance of payments difficulties varied among different countries, the causes were the same. Great Britain and France, for example, lagged behind most other countries in the inventory cycle. They used existing stocks of imported food and materials during the second half of 1950 and then were forced to replenish inventories at the high prices of early 1951. These countries consequently enjoyed a favorable balance of payments position until 1951, when the necessity for larger imports and then flights of capital caused large payments deficits and loss of reserves.

The halting of the inventory boom was, in part, the result of governments' actions to stabilize their economies. In certain cases, price controls were put on. Systems of priorities and allocations for scarce raw materials were established. The International Materials Conference was formed to ensure an equitable international distribution of scarce materials. Other measures quite generally undertaken for the same purpose were tax increases, tightening of credit, and direct controls over imports and exports to achieve a balance in international payments.

Secondly, supplies meanwhile were expanding. Vigorous programs to expand capacity were undertaken. And the anticipated shortages did not prove to be as serious as people had thought they were going to be.

But most important, perhaps, in curtailing the rise in prices was the level of inventories which had been accumulated during the earlier period. Stocks had become so large that buying would have declined, balances of payments would have improved, and inflationary forces would probably have abated somewhat even without governmental measures to control them.

The easing of demand beginning in the spring of 1951 marked the advent of the downswing phase of the inventory cycle, and caused a collapse of a large

number of primary prices. In general, those prices which had climbed the highest fell the most. We in this country do not appreciate the devastating effects on an economy which can result from such violent swings in world raw material prices. We are fortunate in not being heavily dependent on imports for supplies of most raw materials--at least for the present. Because we supply such a large proportion of our own needs, we were able to institute price controls and make them effective without resort to expensive subsidies. Also, because we purchase such a large proportion of world output of those materials we do import, and because dollars are a preferred currency, it was possible to negotiate contracts on favorable terms. For example, while in 1951 we were getting copper from Chile at 27 cents a pound, some countries in Western Europe were paying as high as 56 cents. Smaller countries, where imports may comprise 20 or 25 percent of the value of total output, as is the case with most Western European countries, find it practically impossible to insulate their economies from the inflationary effects of such increases in costs.

The same violent instability is experienced by countries whose chief source of income lies in the production of primary products. For example, average monthly exports from Malaya, whose chief source of income is tin and rubber, more than tripled between the first quarter of 1950 and the first quarter of 1951; those of Pakistan--cotton and jute--did the same. Such high earnings on the part of exporters are likely to be followed by greater spending on consumers' goods and therefore by high imports. Actually, the larger flow of imported capital and consumer goods into these primary producing countries started just at the time that their exports began to decline. Then imports continued high while the value of exports collapsed. Sooner or later, these countries were forced to curtail their imports.

The decline in raw material prices helped the international financial position of the industrialized countries. By the end of 1951, most of the industrialized countries of the world were experiencing improved balance of payments positions. This did not apply, however, to England and France. Their reaction to the outbreak of the Korean war had occurred later than that of the others. At the end of 1951, they found it necessary to undertake vigorous measures to protect their rapidly dwindling reserves. By mid-1952, however, despite a decline in commodity exports due to the import restrictions imposed by other countries, the United Kingdom had achieved over-all balance in its international accounts, even excluding United States aid. The French deficit was also brought under control.

The abatement of demand after the first quarter of 1951 was primarily the result of a world-wide decline in the demand for certain consumers' goods and in the rate at which business accumulated inventories. As 1951 progressed, the market for textiles in every country of the world felt the effect of a slump in the demand for textiles, although, again, the timing varied from country to country. In general, however, despite the lull in certain consumer markets, a high rate of activity in the construction and private investment industries, together with rising rates of defense production, kept the industrialized countries operating at a high level of economic activity.

This high level has been generally maintained in 1952. In Western Europe, it represents a remarkable recovery from the losses of World War II, and even

some improvement over prewar levels. Total real output in Western Europe is over 20 percent greater than it was before the war in 1938. Per capita output is 9 percent higher. This is small compared with the 68 percent increase in per capita output of the United States, but we did not have to repair the ravages of war. Also, at the beginning of the war, our economy had much more slack in it than theirs. Since 1948, industrial production in Western Europe has risen 37 percent, compared with 12 percent in the United States. Agricultural production is about 15 percent above the 1948 level. In 1952, output in Western Europe did not reach new postwar peaks as it had in previous years, but it continued at the 1951 postwar high.

There have been indications in the United States recently that the rate of consumer spending is picking up. With private investment and defense expenditures maintaining or surpassing the current high rates, incomes will rise, at least over the next 6 months. Although economic developments in Western Europe often lag behind those in the United States, there are already indications of similar developments there. Production of defense and investment goods has continued high and is likely to increase; recently, textile prices in certain markets have risen; exports of some textiles from the United Kingdom to nonsterling countries are rising. Inventories of imported raw materials and consumers' goods in certain countries are low. Also those countries producing primary products, which in late 1951 developed balance of payments deficits and thereupon undertook corrective measures, by mid-1952 could notice improvement. Then, too, declines in the world prices of primary products had eased and in some cases been reversed.

Thus, we have come full circle. Western Europe and North America in the coming months may feel some re-emergence of inflationary pressures, but in a much more moderate degree than those experienced in late 1950 and early 1951, for, barring a turn for the worse in the international political outlook, abnormal speculative purchases are likely to be absent.

You may have read certain newspaper reports recently which have talked in terms of "stagnation" in Western Europe. My apparent optimism about its current position may, therefore, surprise you. Actually, the situation as I have outlined it seems to me to be the realistic interpretation. Western Europe has made a remarkable recovery since the war. The leveling off of 1951-52 is part of the normal consequence of the excesses of 1950. It affected primarily the soft goods industries. It parallels in many ways what we have experienced in the United States.

Concern, even pessimism, about this leveling off is nonetheless understandable. I spent the week before last in Paris, talking with economists from Britain, France and the other Western European countries. Two problems were uppermost in their minds. First, are we going to have a depression--in the United States and in Europe--when U. S. defense spending levels off? Second, at the other extreme, how can the impact of the defense program upon their economies--particularly the inflationary impact--be contained?

These fears are the result of their experience in the interwar years between 1918 and 1939. After the first World War, some of these countries went through a period of hyperinflation when savings were obliterated, when prices rose so rapidly that, at first, shopkeepers changed their price tags several times in an hour--and then finally closed their shops completely and refused to sell at all.

About a decade later, in the early thirties, the situation was reversed. Prices collapsed. Unemployment and social unrest produced results which are only too well known.

Memories of the chaos of extreme inflation and deflation linger long. It is not surprising that Europeans want to avoid a repeat performance of either, and are jittery about a tendency in either direction. But a state of full employment with no minor fluctuations up or down is impossible to achieve. Europe from June 1950 to mid-1951 was subject to inflation; subsequently there was a lull in private demand, partly the result of corrective measures which were introduced. The leveling off of European output is less to be desired than continued growth, but stability at a high level is hardly "stagnation."

The present situation is not without its dangers, however. If we do not manage our economic affairs wisely in the United States, we could experience a recession when military spending levels off. And even a moderate recession in this country has major consequences in other countries. But for reasons which I have elaborated at length elsewhere, and which would take too long to repeat here, I do not believe that a recession in the United States is inevitable, or even likely if, both in private business and in government, we act sensibly and use the tools available to us.

On the other hand, especially in the months immediately ahead, the total demands which consumers, business, and government will place upon productive resources may verge upon the inflationary. This is more likely in Europe than here. For one thing, in the United States, our higher rate of saving permits a larger proportion of resources to be devoted to defense production or investment without inflationary strains. The point at which a state of full employment is ballooned into inflation comes sooner in Europe. Then, too, a high rate of industrial production over the world means a high demand for raw materials and therefore the possibility of rising import prices, which could also add to inflation.

To summarize the ground we've covered thus far, we can say that today the free world economy has recovered from the first shock of armed conflict in Korea and is adjusting itself to the necessity for defense production. Most countries throughout the world have achieved a substantial measure of stability. Production, though not rising as rapidly as in recent years, is at high levels. If the economic policies pursued by governments in the near future are reasonable, the world can look forward to moderate and sustained growth for at least the next year or two.

Is there anything we can say about the longer run? Are there any developments which have persisted for a sufficiently long period in the recent past to enable us to project their consequences farther into the future? I think there are--and in a sector of the world economy with which you are concerned.

For some time, and especially in the last 15 years, the world supply of primary products--food and raw materials--has been falling behind world demand. Let us consider first industrial raw materials--metals and minerals, and agricultural products such as cotton, tobacco and lumber, but not food. The demand for these raw materials is determined by the volume of manufacturing production. An increase in the output of manufactured goods

requires a larger volume of primary products. The ratio over time won't necessarily be 1:1, for changes in technology--for example, the development of plastics--will mean that the same volume of manufactured goods is produced by both a different assortment of raw materials and a different quantity. Technological progress probably implies increasing economy in raw material use. But the total production of manufactured products and of raw materials over a long period of time, cannot grow at widely differing rates without serious effects on their relative prices.

This chart that I have with me shows changes in the physical volume of production for the whole world, excluding Russia. You will note that the volume of manufacturing production in 1950 was over 40 percent larger than in 1937. Over the same period, however, the volume of raw materials produced had increased by only 20 percent. Moreover, agricultural raw materials--products of the farm and animal products--actually declined by 8 percent, while output of metals and fuels had nearly kept pace with total manufacturing production.

World-wide figures, however, conceal some significant geographical changes. Since 1937, manufacturing production in the world, excluding the United States as well as the USSR, has grown by slightly more than 20 percent, while in the United States it has grown by about 80 percent. Moreover, the United States and Canada account for practically all of the increase there has been in free-world production of primary products as far back as 1913. This lack of growth in the production of primary products in the rest of the world is in large part explained by the relatively low rate of foreign investment in primary producing countries other than Canada between 1913 and 1950. The nub of the matter is this: The failure of raw material production to keep pace with manufacturing output has resulted in a growing scarcity of raw materials.

In the case of the production of food, the picture is the same except that the divergence between demand and supply has become even more acute in recent years. The demand for food depends on the size of the population and income.

This second chart shows that between 1937 and 1950, while the world population increased by 11 percent, food production increased by only 5 percent. Most of this increase in production, moreover, took place in Canada and the United States. In this country, food production increased 36 percent while population increased 18 percent. In the countries of south and southeast Asia, total production of food is actually below its prewar level. It is difficult to estimate real income in the world but roughly, between 1937 and 1950, the increase was about 40 percent. In the United States and Canada, it was about 90 percent; in Western Europe, 15 percent.

The demand for primary products in general, then, and agricultural products in particular, has run ahead of supply over the last 15 years. The result has been a world-wide increase in the prices of primary products relative to the prices of manufactures. What is the likelihood that in the future the supply of agricultural products will catch up with or overtake demand and thereby cause a decline in agricultural prices in relation to prices of manufactured goods?

Such a long-term decline in relative prices does not seem likely. First, the population of the world is increasing and gives every indication of continuing to increase. The rates of growth are increasing the world over. In the economically developed countries, this increase in the rate of population growth is the combined result of a gradually declining death rate, and the fact that the average size of a family has increased and the average age of marriage is earlier. That is, each generation is getting larger, and because of an earlier marriage age, each generation comes around more quickly. Meanwhile, in economically under-developed countries--such as Japan and India--falling death rates have maintained or increased the rate of population growth despite the fact that in certain countries the birth rate has declined.

The United States and Western Europe have come to have a rate of natural increase in their population of $1\frac{1}{2}$ percent a year. It may surprise you to learn that this is the same as that of India, where a higher birthrate is balanced by a higher death rate. In Latin America, other parts of south and southeast Asia and Canada, the rate of natural increase is higher. Consequently, it appears likely that the free world population over the next decade or two will be increasing at more than 1 percent a year. The demand for farm products, moreover, should increase, not only because of a growing population, but because per capita demand will increase as real income grows and standards of living advance. This should be true not only in industrialized countries but in the under-developed countries as they make progress in their programs for economic development.

On the supply side, what can be said? In the countries of Western Europe, Australia and New Zealand, and North America output per man at work in agriculture has been increasing substantially as a result of mechanization, fertilizers, greater knowledge of the science of farming, etc. On the other hand, in these countries, there has been a marked decline in the rural labor force. Between 1940 and 1950, the male rural labor force fell by 15 percent or more in the United States, Australia, Canada, New Zealand, and Sweden. In the Western countries these trends are likely to continue, with increases in output per man partially counterbalanced by decreases in the number engaged. In the less economically developed countries little information on productivity is available, but the evidence indicates a very slight increase in output per man, and in some countries an actual decrease. Primarily, their lack of progress can be attributed to the fact of underdevelopment. If the plans and programs of these countries for economic development are carried through declines in the numbers engaged in agriculture are likely to be more than counterbalanced by the increases in productivity which follow improved techniques. At the same time, however, the higher real incomes enjoyed in these countries will probably cause a substantial increase in their per capita demand for agricultural products.

On balance, then, it appears that over the next decade or two the demand for agricultural products throughout the world will be strong in relation to supply, and therefore that agricultural prices will continue to bear a favorable relationship to prices of manufactured goods.

Whether agriculture in the United States will share in this strong world demand--whether United States exports of agricultural commodities will maintain their present relative share of total world exports--however, is quite another question. The answer to this question depends on how this country, together with other countries of the free world, solves the problem of equating the demand for American goods with the ability to pay for them. This inequality manifests itself in a scarcity of dollars.

If dollars continue to be scarce for foreign countries, United States agriculture is not likely to maintain its share in the strong world markets of the future. Under such conditions, foreign countries will have to choose which United States goods they need most. Except in time of drought or short crops elsewhere in the world, because agricultural commodities are so highly standardized, they can often be obtained elsewhere. Such is not true to the same degree of manufactured goods. Those foreign countries that already have United States machinery will continue to purchase parts and replacements from this country. For many of the new developments of American technology, the United States may, for a time at least, be the only source of supply. To put it bluntly, agricultural exports are likely to suffer more than many other types of exports, over the long pull, unless a lasting solution to the scarcity of dollars can be found.

This is not an easy problem, and although I can pose it, I do not propose to solve it. Over the past 3 years between one-quarter and one-third of United States exports of goods and services has been financed by foreign aid programs. People in foreign countries are as anxious as we are to have done with these gifts, and to provide for their needs, including defense, themselves. Unfortunately, however, it seems reasonable to assume that, over the next few years at least, the necessity for programs of defense production will continue and that productive resources will continue to be used to produce arms. Further, it is an unfortunate fact, but still a fact that must be recognized, that the resources of Western Europe are not yet adequate to support defense production and at the same time provide the rising standards of living which are the only really effective answer to the Communist propaganda. The threat of Communist aggression exists. But this is another way of saying that the scarcity of dollars, at least for Western Europe, has been aggravated by the Communist threat and will probably continue.

But the threat of Communism is probably even more serious in the non-European countries, as we have seen in China. It can take the form of propaganda whose appeal is based on existing social and economic inequities. The most susceptible people are those whose standards of living are lowest. This means that the areas that could most easily be led into Communism are the economically underdeveloped areas of the world. People in these areas are aware that life can be more comfortable and convenient than theirs is. Knowing that something better is possible, they want a change. And one thing we can be quite certain about: They will get a change. Either their standards of living will be increased through the development of their economies, or they will be deluded into choosing Communism as the alternative means of accomplishing this end. Professor Dennis Robertson, an eminent British economist, spoke with biting irony when he said:

"We ought perhaps to have foreseen the emergency of the revolutionary notion that some day a thousand million Asiatics would take it into their heads to expect to have enough to eat."

Unless programs for economic expansion go forward in underdeveloped countries, the gulf between living standards there and in developed countries, already very great, will get even wider. On grounds of self-interest, as well as on broader, humanitarian grounds, it is imperative that this potentiality be prevented from becoming an actuality, for it is important that these countries continue to be part of the free world. In population, area, and natural resources, they outdo the industrialized countries of the free world.

You may be proud that it was a former county agent, Horace Holmes of Tennessee, who, working under the Point Four Program in the Etawah region of India, has done perhaps more than any other American to revive in the people of India the hopes for a better daily existence. This revival of hopes, moreover, is firmly based in increased agricultural yields achieved by simple changes in tools and techniques that the farmers can understand. By ordinary crop rotation, inexpensive tools, and better varieties of seed, the wheat crop in this region has been increased by more than 60 percent, the potato crop by more than 110 percent. These improvements, moreover, have been achieved at negligible cost. The increase in wheat production alone was worth ten times the annual cost of the project.

Over-all economic development, however, entails the need for capital equipment. It means building transportation and communication systems, roads, bridges, harbors, railroads, as well as improving methods of production of the goods already produced there. Irrigation and flood control projects, production of electric power--these are fundamental to a higher level of production. But they are also the public-utility type of project that, in an underdeveloped country, only a government will undertake. They not only cost money, they all involve expensive imports. Whether or not we increase the amount of money that we have been lending and giving to these countries to help finance this development, it is likely that their demand for imports in general, and imports from the United States in particular, will exceed the supply of dollars currently becoming available to them from their exports. They will proceed with their plans. The rate of their progress, however, will be determined by the amount of help they have.

What, then, can be done to alleviate the imbalance between the demand for American goods and the ability to pay for them, and thereby enable American producers of primary products to share in the strong world demand of the future? This is the same question as "How can we make more dollars available to friendly foreign countries?" Apart from an increase in foreign aid by the Federal Government, there are only two things that we can do: Investment of private United States capital abroad must increase, or our imports of goods and services must rise.

Although foreign capital is desperately needed by underdeveloped countries, as I have just indicated, private investment of United States capital on a sizable scale is not likely for two reasons. First, in many cases the types of development which require capital first are not those into which private initiative is likely to go. The construction of roads, harbors, multipurpose power, irrigation, and flood control facilities and such are properly public projects. The existence of such facilities is necessary to the production of goods and services by modern methods.

Second, the political stability of many of the underdeveloped countries is quite precarious. This fact, of course, often makes the risks to investors prohibitive. Also, the existence of nationalistic legislation, such as discriminatory taxation, has made investment in certain countries unattractive. In spite of the guarantees now offered by the Federal Government, it does not seem likely that private capital will flow into these countries in any large volume until they have moved sufficiently along the road to development so that these impediments are overcome.

I do not mean to imply that private investment of U. S. capital abroad is unimportant, nor that we should not continue to take steps to increase it. But its contribution toward solving the dollar shortage will of necessity be small--especially in the decade or so immediately ahead. In the main, apart from any further government grants and loans, the primary means available to the United States for alleviating a world-wide inadequacy of dollar purchasing power lies in increased U. S. imports of goods and services. The problem thus largely resolves itself into a choice between alternatives. Either we can import more goods and services, or our exports of agricultural goods are likely to fall behind those of the world. I think you will agree that this offers little choice. An increase of our imports brought about through a gradual reduction in our tariffs and other trade restrictions, if started immediately, would bring the additional benefit of decreasing the need for aid abroad. But the problem here is this: Can we, by tariff reductions, cause United States purchases abroad to increase enough to eliminate, eventually, the scarcity of dollars without doing serious injury to certain important domestic industries? Are foreign resources large enough, or can they be expanded enough, to produce the necessary goods for export?

This entire problem, with its implications for the future, is too large for me to attempt to cover here. In recognition of its importance--and difficulty--the President recently requested the Public Advisory Board to the Director for Mutual Security to undertake a thorough review of our entire foreign trade policies. It will be studied carefully by the Congress when the question of extending the Reciprocal Trade Agreements Act comes up at the next session. I can only state the problem and indicate its significance to agriculture. It is a problem which is worthy of your most careful attention.